Austria	Sch24	Indonesia	Rp3100	Philippines	Pes40
Bahrain	Din0.750	Iran	Rls210	Portugal	Esc150
Belgium	BFr55	Israel	Shk3.50	Qatar	QR8.00
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.600	Spain	Pta165
Finland	FMk8.50	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.40	Malaysia	Rin4.25	Thailand	Bht50
Greece	Dr180	Morocco	Dh6.55	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Preparing a return to oil power
Page 14

Environment issues will transform car industry says Ford report

By Charles Leadbeater, Industrial Editor, in London

ENVIRONMENTAL pressures will force a sweeping transformation in the automotive industry over the next 15 years, according to a confidential Ford Motor Company report.

The report, which says half of Europe's pollution is caused by exhaust fumes from cars, vans and trucks, identifies environmental concerns as the most serious issue facing the company.

The study from a team led by Mr Ernie Savoie, a senior executive at Ford's world headquarters in Dearborn, Michigan, says concern over the environment, combined with other issues, will affect "the size and shape of cars, what is in them, how they are made, where they are allowed to go and even who can own them."

It is one of the frankest admissions yet of the changes the industry could face as a result of growing concerns over the greenhouse effect and ozone depletion. It warns that urban congestion in the advanced economies will become so severe that private vehicle use - and thus production - will be cut back.

The level of exhaust pollution means car producers will have to bear some of the social burden of reducing global warming.

It says: "We will see tighter fuel mileage requirements, alternative fuel incentives, fuel conservation taxes and other restrictions."

International imbalances in the extent of environmental regulation will have a significant bearing on the development of the global auto industry, affecting the costs, sales and prosperity of individual companies.

Environmental concerns will lead to relatively strict legislation in the US with Western Europe following in its wake, the report predicts. It says this could have significant consequences for Ford's long-term prospects as it is highly dependent on the mature, slow growing markets of Western Europe and the US.

Ford needs to expand into markets in the Far East, Eastern Europe and parts of the developing world which will account for the majority of world economic growth by the year 2005, it concludes.

Recycling waste will become a major factor in material selection. Recyclable materials must be found or invented for vehicles not fuelled by petrol, it says. Joint venture research will be necessary to meet environmental regulation.

The impact of these environmental pressures will be magnified by commercial changes affecting product design and development. Ford plans to cut the time it takes to develop a new product from five years to one or two years.

The accelerating pace of product development to meet more diverse consumer demands will provoke more mergers and joint-ventures in the industry to cover the $2 bn to $4 bn it costs to develop a major new product, the report says.

Electronic and computer technology will come to control virtually all vehicle systems and comprise between 15 per cent and 30 per cent of a car's value.

This will force changes in manufacturing. It says: "The demand for high quality will have to be met even while we have shorter product development cycles, more frequent launches and greater manufacturing and assembly flexibility. The auto factory of the 1970s is fast becoming a curiosity."

Sales continue rising, Page 3

World News

UK and China in new talks over 1997 constitution

BRITAIN and China are involved in intense diplomatic negotiations to try to end an impasse over the future constitution of Hong Kong, following Peking's decision to restrict severely the territory's democratic development from 1997, when it regains sovereignty.

Peking-dominated drafters of the Basic Law which will form Hong Kong's constitution after 1997 decided on Saturday that only 18 people in Hong Kong's 60-seat legislature should be directly elected in 1997, and that their power should be curtailed by a two-tier voting system. Page 16

Barry's 'problem'

Marion Barry, the mayor of Washington DC, charged with possession and use of crack cocaine, admitted he had "a problem", amid speculation among close advisers that he would not stand for re-election and would enter a drug treatment programme. Page 16

Haiti emergency

The military government of President Prosper Avril of Haiti declared a 30-day state of siege in Port-au-Prince, suspending parts of the constitution and arresting opponents. Page 4

Belgrade congress

Yugoslavia's ruling League of Communists, bitterly divided on its future political role, at the weekend opened what is expected to be its last party congress. Page 4

UN goes to Iran

UN human rights investigator previously barred from Iran began an eight-day visit to probe reports of torture and mass executions.

Train crashes

A passenger train and a goods train collided head on near the Ethiopian border, killing 13 people and injuring 58.

Election rejected

President Corazon Aquino turned down opposition calls for a snap election in the Philippines, telling her rivals to wait until scheduled presidential polls in 1992 to get a crack at power.

Pro-Europeans unite

British Conservative supporters of closer European integration established a new bloc, the Positive Europe Group, to press the Government for a more positive approach to the EC. Page 6

30 die in Kashmir

At least 30 people were killed and scores injured after Indian troops were ordered to shoot on sight to enforce a curfew in the northern state of Kashmir.

Mongolians march

About 7,000 Mongolians defied a government ban on demonstrations and flocked to Ulan Bator's main square to demand democracy after 69 years of communism.

Hackers indicted

Three Silicon Valley computer experts have been indicted on charges that they broke into US Army and telephone company computers and obtained classified, military and FBI information. Page 4

Cubans arrested

At least four leading members of Cuba's communist youth organisation have been arrested in Havana after complaining about lack of democracy in their country, the Spanish daily El Pais said.

Money changers

Iran said it was legalising money changing, outlawed and reviled as a parasitic profession soon after the 1979 Islamic revolution.

Argentine-UK links

Argentina and Britain resumed direct air links for the first time since the 1982 Falkland Islands War.

Israeli colonel killed

An Israeli army colonel was killed in a gun battle with guerrillas who occupied a house in south Lebanon.

Perez in Prague

Israeli Vice Premier Shimon Peres arrived in Prague to discuss resumption of diplomatic ties between Israel and Czechoslovakia.

Tanker runs aground

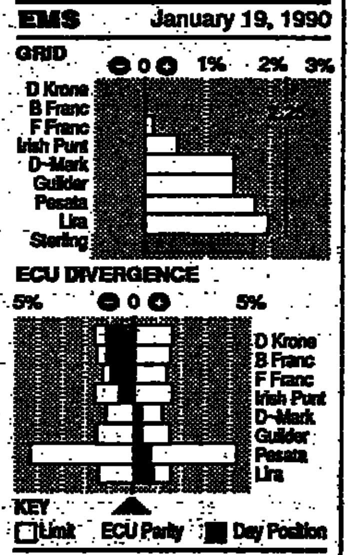
A tanker carrying mixed fuels ran aground outside Petersburg, Alaska, spilling between 20,000 and 35,000 gallons of gasoline.

Business Summary

Bush faces congressional battle on tax and budget

A lengthy battle between US President George Bush and the Democratic-controlled Congress over taxation and reducing the budget deficit is in prospect after Senator George Mitchell, the majority leader, hinted at possible leadership support for a cut in the social security payroll tax. Page 16

EUROPEAN Monetary System: Events in the Soviet Union reduced the attraction of the D-Mark within the EMS last week. Threats to peace, and the possible implications for the liberalisation of Eastern Europe, hit the West German currency and attracted funds into the safe haven of the dollar. This kept trading among EMS currencies steady, with the Italian lira remaining the strongest member. The French franc was supported by better-than-expected French trade figures.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of currencies.

BRITISH Rail, state rail network, and UK Government are accused, by implication, of incompetence over their plans for regional links to the Channel tunnel, in a report by the Economist Intelligence Unit, London think-tank. Page 6

TELE-COMMUNICATIONS, largest US cable television company, plans to spin off most of its programming interests, some cable television systems and other businesses into a separate company after mounting concern in Congress about the size of some cable companies. Page 19

WEST European new car sales rose by 3.6 per cent to almost 13.5m last year, reaching a record level for the fifth successive year. Page 3

EUROCLEAR, one of two international securities clearing houses which dominate Euromarkets, increased turnover to $3.35bn last year, up 15 per cent on 1988. Page 19

ITALY lifted its penultimate barrier to the free movement of capital, with a decree allowing Italians to purchase short-term obligations issued in other currencies. Page 3

TOKYO hit back at critics of its high consumer prices by claiming foreign companies are partly responsible for allowing goods prices to become the most expensive in the world. Page 2

LSI LOGIC, leading US producer of specific semi-conductor chips, recorded a loss after taking a charge for the restructuring of its manufacturing operations. Page 19

LUFTHANSA and Interflug, West and East German airlines, announced a wide range of co-operation agreements to improve services. Page 3

AXEL Springer, West German publisher, is planning a move into the international market with a new Italian daily paper. Page 2

KELLOGG, US convenience food producer, has broken a 37-year record of profit increases by reporting a 12.1 per cent fall in net earnings for 1989, Page 19

DELTA Airlines, Atlanta-based US carrier, said higher fuel prices and weaker than expected traffic during the Christmas and Thanksgiving holiday season contributed to a 25 per cent drop in profits in its fiscal second quarter. Page 19

CIVILIANS, SOLDIERS KILLED DESPITE MARTIAL LAW IN BAKU ● CLASHES AND RALLIES CONTINUE

Azerbaijan's rulers and Soviet troops facing mass rebellion

By Quentin Peel and John Parker in Moscow

SOVIET troops were facing mass popular rebellion in strife-torn Azerbaijan yesterday and a revolt against the republic's ruling Communist Party.

At least 57 civilians and eight soldiers died when Moscow imposed martial law by force in Baku, the Azerbaijani capital, at the weekend. Soviet army and Interior Ministry forces used tanks to smash their way through barricades to take control of the city.

Nationalist reports from Baku insisted that the death toll was at least 600, and all the morgues in the city were full.

Clashes were also reported from other key towns, including Nakhichevan, on the Iranian border, where the local Azerbaijani population has already declared its "independence."

Mass rallies in defiance of the state of emergency took place yesterday on the streets of Baku and in many parts of the republic as the Supreme Soviet of Azerbaijan met to condemn the decision by Moscow to use force. The deputies were also under pressure to call a referendum on secession from the Soviet Union as thousands gathered outside the meeting, which was continuing late last night.

Sporadic shooting was reported around the city last night, as military cadets and Soviet troops clashed outside a barracks three miles from the centre.

Azerbaijani activists said the cadets included not only local recruits, but also Georgians, Jews and Uzbeks, united in their opposition to the Soviet military action. They were holed up in a building outside the barracks, armed with weapons and equipment seized as the state of emergency was declared on Friday night.

Soviet soldiers stand guard outside the Central Committee headquarters in Baku yesterday

Despite an urgent appeal by President Mikhail Gorbachev on Saturday night for the Azerbaijani and Armenian people to abandon their bitter racial conflict, the violence used by the Soviet troops to impose control appeared to have united Azerbaijani people against them.

"The responsibility for the blood that has been shed lies directly with the USSR organs and their officials," Mrs Elmira Kafarova, president of the Azerbaijan Supreme Soviet, said.

The Azerbaijan Popular Front, blamed by Mr Gorbachev as the prime instigator of nationalist unrest and attacks on Armenians in the republic, called for a campaign of civil disobedience against Soviet power, and a general strike until the Soviet troops left.

Baku radio also announced that a mass funeral ceremony would begin on the central Lenin Square – scene of huge nationalist demonstrations in recent months – at midday today.

The degree of national unity was shown by the fact that the funeral is being organised jointly by the Popular Front, the officially-appointed Moslem board of the Trans-Caucasus, and the Communist Party-led

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INSIDE

● Gorbachev gambles to thwart backlash, Page 4.

● Grass-roots revolt sends Siberian Party bosses packing, Page 4.

● Yugoslav Communists still at odds, Page 4

● Editorial Comment, Page 14

● Romania's new Finance Minister interviewed, Page 16.

EC backs Moscow call for summit

By David Buchan and Kieran Cooke in Dublin

EUROPEAN Community foreign ministers, determined to back reforms in East Europe, have signalled their support for Soviet President Mikhail Gorbachev's call for an early 35-nation East-West summit.

At informal weekend talks in Dublin, the 12 ministers specifically endorsed Mr Gorbachev's proposal for a Conference on Security and Cooperation summit later this year to chart the future of a radically altered Europe.

Mr Gerry Collins, the Irish Foreign Minister who chaired the meeting, said: "Events in Eastern Europe are moving so fast. We in the Community are determined to play a central role in the new architecture of Europe."

At French initiative, the 12 ministers agreed to start as early as next month formulating a comprehensive plan for new Community ties with Eastern Europe. Ministers will meet again in February and April, under Ireland's EC presidency, to prepare their plan for the CSCE summit originally proposed by Mr Gorbachev.

Community support for the CSCE conference is designed partly to bolster the Soviet president, beleaguered by the bloody Azerbaijan conflict. While regretting the violence, the ministers tacitly approved Mr Gorbachev's decision to send in troops and tanks to crush a nationalist uprising in Azerbaijan and prevent civil war with Armenia.

"We have complete under-

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Monday Interview: Charles Haughey; Page 32: Thatcher under pressure, Page 8

British Steel seeks link with W German steel maker

By Nick Garnett in London

BRITISH STEEL, the UK's largest steel maker privatised a year ago, is seeking a business link-up with Hoesch, the West German steel and engineering company.

Talks between Sir Robert Scholey, British Steel's chairman and Mr Detlev Rohwedder, chairman of the German group, are likely to have centred on a production joint venture involving steel finishing in Germany. They may also have included something more substantial involving cross-shareholdings.

A deal between the two companies could represent a further step in the gradual restructuring of the European steel industry.

British Steel, one of the world's most profitable steel producers, has only two per cent of the continental European market. It has been seeking joint ventures in Europe, especially in West Germany, the continent's biggest steel market.

The company, which made pre-tax profits of £423m ($698m) for the half year to September, was keen to purchase Kloeckner & Co, the trading group, when it was under the control of Deutsche Bank last year, but this interest came to nothing.

Hoesch, which made a pre-tax profit of DM325m ($189m) on sales of DM4.5bn for the six months to June 1989, makes about 4.5m tonnes of steel a year, about one-third the output of British Steel. However, Hoesch is one of Europe's leading producers of high margin steel such as tubing and coated products.

E German Communist Party in crisis talks to avoid collapse

By Leslie Colitt in East Berlin

EAST GERMANY'S crisis-torn Communist Party, threatened with collapse by a mass desertion of members, is to convene an extraordinary party congress shortly in an effort to revitalise itself.

Mr Gregor Gysi, party chairman, said yesterday after a 14-hour emergency meeting of the leadership that the partyhad voted against dissolving itself as some rank-and-file members demanded. However, there is a strong possibility that it will break up before East Germany's first free elections on May 6. Mr Gysi noted that since the ousting of the old leadership last October, the party had lost nearly 1m of its former 2.2m members.

The hard-pressed coalition Government under Mr Hans Modrow, the Communist Prime Minister, also looks extremely shaky.

The elections are almost certain to relegate the party to the opposition. The four parties allied with it have said they would not renew the coalition after the elections. In a last-ditch attempt yesterday to prove it could renew itself, the party expelled all remaining members of the old Politburo who had served under Mr Erich Honecker, the ousted leader.

These included Mr Egon Krenz, the former party leader, who suceeded Mr Honecker. At the same time, Mr Horst Sindermann, the former president of parliament, was placed in detention on remand along with Mr Wolfgang Junkers, the former Construction Minister, and a third senior official, on charges of "criminal embezzlement." Nearly 50 former party functionaries who were tried and lost their posts in the Stalin era were rehabilitated.

Mr Gysi was delivered a further blow by his deputy, Mr Wolfgang Berghofer, the popular mayor of Dresden, who announced his resignation from the party in a letter to the chairman.

Another 39 prominent party members in Dresden district resigned with Mr Berghofer. He appeared on East German television and announced that he supported the programme of the Social Democrats (SPD) who are expected to do well in the forthcoming elections. Mr Berghofer could become a leading SPD candidate and a major vote-getter for the party. Mr Berghofer was in Austria and did not attend the meeting.

The party chairman's warning about the dangers of an uncontrolled, rapid move towards re-unification with West Germany were ignored at the weekend when the last of the four coalition partners, the National Democrats, joined the others and came out for re-unification as quickly as possible.

The Government was also hit by charges that Ms Ute Nickel, the Communist Finance Minister, had misappropriated funds while serving in Leipzig as a city official. ADN, the official news agency, said the state prosecutor in Leipzig, had begun an investigation into the charges.

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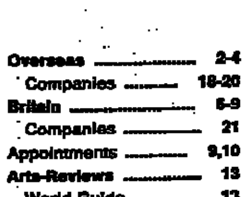
THE MONDAY INTERVIEW



Ireland's Prime Minister, Charles Haughey, has had a long and colourful career. Now, at 64, he has found the role he favours most, with his country holding the presidency of the European Community
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Irish are in the lead to liberalise EC air transport

Aer Lingus fears big flag carriers will lock up the market before the deadline, writes **Paul Betts**

Aer Lingus cannot wait for 1992 and the next phase of European airline liberalisation.

"We are a small player in the overall European aviation scene," said Mr Derek Byrne, the airline's European sales manager. "We are also located on the periphery of Europe in a country of 3.5m people. A key part of our strategy in the 1990s is to move away from dependence on business in and out of Ireland."

The airline, like the Irish government, its shareholder, is in the lead of the movement to liberalise EC air transport. It was the first airline to take full advantage of the "fifth freedom" provisions in the EC's initial liberalisation package two years ago – which let an airline from one country operate services between two other EC states from regional airports – by developing Manchester as a new European hub.

Competition has turned the Dublin-London route into the most densely-served European route after London-Paris. Dublin-London has overtaken London-Amsterdam in passenger volume and is now served by six different airlines. Competition has cut fares by around 15 per cent in three years and by 40 per cent if inflation is taken into account. The airline intends to use Ireland's current six-month EC presidency to stimulate competition in other parts of the European skies by giving peripheral players greater access to the continental European market.

Mr Cathal Mullan, the airline's chief executive, described the new air transport liberalisation package agreed by EC ministers last month as a relatively satisfactory compromise. "It is now on the table. Our main concern is that it is not watered down. The danger is that things change on paper but not in reality," he said.

Aer Lingus, like many other smaller airlines, is becoming increasingly worried that the big European national flag-carriers will lock up the European market between now and 1992, when the liberalisation package comes into effect, by forging a series of non-aggression pacts or absorbing smaller airlines. The past months have confirmed this trend to greater concentration in the European airline industry. How far these new groupings will be allowed to develop is becoming a key test for the EC's competition and air transport policies. Dublin sees these moves as a bid by the large national flag carriers to protect their markets. "There is no particular pro-customer motives behind these moves," an Irish aviation official said. The Air France-Lufthansa pact was a classic example. "They are like two Roman soldiers who have tied themselves back to back to fend off the invading Huns."

The development of Manchester as a European hub since April 1988 has been a key component of Aer Lingus's strategy of expanding into Europe as new opportunities become available. The airline tried to develop European operations from Birmingham but its first service between Birmingham and Brussels was not successful.

"We thus decided to concentrate on building up our critical mass in Manchester," said Mr Byrne. The airline now flies to several European destinations from Manchester, including Paris, Brussels, Amsterdam, and Copenhagen. "It has been significant for us, because Manchester represents a catchment area of some 20m-22m people – a huge market compared to our Irish one." With growing air traffic and ground congestion in south-east England, Manchester has provided Aer Lingus with an attractive alternative UK platform.

The latest EC liberalisation package will eventually enable airlines to operate "fifth freedom" services from the main EC airports. Aer Lingus would thus be able to carry revenue traffic between Heathrow and

1992 THE EUROPEAN MARKET

Paris, not just from regional airports such as Manchester or Birmingham. But the Irish airline is worried some countries and their national carriers will seek to dilute the next phase in the EC liberalisation process.

A major problem with airline deregulation in Europe is that everybody currently pays lip-service to the idea of liberalisation, but everbody has a tendency to "cheat", Mr Mullan suggested.

Aer Lingus believes the expansion of its services to Europe will be an big factor in its talks with other airlines currently seeking partners to boost their competitiveness. "So far, we are not a member of any of the airline clubs being formed. Before becoming so, an airline like Aer Lingus must demonstrate it can serve and deserve its position in the market," Mr Mullan said. For this reason, it was important for an airline such as Aer Lingus to have greater access to the European market. "If we can broaden our operations, we become a more desirable partner. We are less appealing if we are confined to only the Irish market."

Aer Lingus seems not to want to be a lead player in one of the big European airline clubs currently been forged, but believes it could play a useful role as a secondary member. At one point, it considered a broad alliance of airlines from various peripheral European countries, but while this looked attractive on paper, it was never realised.

Aer Lingus seems more anxious at present to expand its European and North American services than enter into any new grouping. It also wants to see one day a system in continental Europe matching the liberal UK-Irish bilateral air treaty. This accord, coupled with other developments, has led to a sharp growth in air travel in and out of Ireland. Competition has driven down prices and so, more people have used airlines to travel from the UK to Ireland rather than use the car ferry.

"The air market to Ireland has doubled over the last three years to 3.6m people," says Mr Byrne. Air transport now accounts for about 60 per cent of Irish-UK travel business, while barely three years ago, ferries still took most of this traffic. Another factor boosting air travel has been the continuing emigration of about 30,000 people a year from Ireland to the UK, many of them young. "These fly in and out quite regularly," said Mr Byrne. People were now more ready to fly back to Ireland to attend a social event, then return to the UK the next day, than in the past when air travel was seen as a luxury.

While seeking new openings to expand its airline services, Aer Lingus has also been one of the earliest airlines to address the cyclical nature of aviation profits by seeking other activities to underpin its airline core business. Airline margins are likely to come under even greater pressure in Europe's more open air transport market. For this reason, Aer Lingus is campaigning for an EC transport policy giving smaller airlines greater access to the market and preventing the bigger players forging cartels before 1992.

If European consumers are to enjoy low fares, airlines must also be able to offer the necessary capacity to justify the economics of these low fares. This means action to improve airport and air traffic control congestion and a set of basic ground rules to ensure fair competition. "In this business, you need a balance between low fares and capacity," Mr Mullan said.

Day of separatist violence in Kashmir kills 25

By **David Housego** in New Delhi

AT LEAST 25 people were killed and more than 60 injured in Kashmir in north-west India yesterday, in the worst day of violence in the state since Moslem separatists stepped up their campaign at the end of last year.

Reports from Srinagar, the capital, spoke of pitched battles between demonstrators and the security forces as protest mounted against Friday's decision by Prime Minister V.P. Singh's administration to bring the state of Jammu and Kashmir under direct rule from Delhi.

The demonstrators, chanting anti-India slogans, were also protesting against widespread arrests of suspected militants in a sweep that marks the beginning of a crackdown by the authorities.

The former Chief Minister, Dr Farooq Abdullah, last night condemned the "reign of terror and repression" let loose by the government over the weekend. Dr Abdullah resigned as Chief Minister on Friday after the Government expressed lack of confidence in his enfeebled administration by naming Mr Jagmohan, who was governor of the state from 1982 to 1988, to a fresh term of office.

As rioting spread in Srinagar, the authorities imposed a curfew in the town, giving troops orders to shoot on sight those seen violating it. Most of the casualties occurred as demonstrators charged through the streets defying the curfew.

Further trouble is expected this week, with militants announcing a total closure of shops for today and a day without electricity and lights on Friday to mark Indian Republic Day. Fundamentalists have already forced the closure of all bars, cinemas and video shops in the capital.

The situation in the state, which borders Pakistan, deteriorated rapidly after militants at the end of last year kidnapped the daughter of the new Home Minister, Mr Mufti Mohammad Sayeed. Mr Sayeed, himself a Moslem and a Kashmiri, was named Home Minister in a gesture of conciliation to Kashmiri opinion. The militants used the kidnapping to secure the release of other detained extremists.

The worsening situation coincides with the arrival in Delhi last night of Mr Sahabzada Yaqub Khan, the Pakistan Foreign Minister. India accuses Pakistan of providing weapons and training for the militants.

● Mr Singh told survivors of the 1984 Bhopal gas disaster yesterday that his government would scrap the $470m settlement with Union Carbide, Reuter reports from Bhopal.

He also told a crowd estimated at 100,000 people that his government would pursue criminal charges and the $3bn originally sought from the US-based multinational.

"We believe there can be no deal over human corpses," he said, referring to the settlement accepted last year by the Indian Supreme Court and the former government of Prime Minister Rajiv Gandhi.

Tokyo blames high prices on importers

By **Stefan Wagstyl** in Tokyo

JAPAN has hit back at foreign critics of its high consumer prices by claiming that foreign companies are themselves partly responsible for allowing the prices of goods in Japanese stores to become the most expensive in the world.

The Ministry of International Trade and Industry (Miti) has published a report which says one reason why US and European goods cost more in Tokyo than elsewhere is the pricing policies of importers.

Miti, which surveyed home electric appliances, cameras, cosmetics and sports goods, says a basket of 26 US products cost 26 per cent less in New York than in Tokyo and 9 per cent less in Paris. The prices in London were the same as in Tokyo. A selection of 38 European goods cost 16 per cent less in New York than in Tokyo, 27 per cent less in London and 26 per cent less in Paris.

Miti said many sole agents deliberately put high prices on famous brand-name goods in order to boost their image. Combined with the high cost of land, importers' pricing policies contributed to the overall high level of prices in Japan.

Miti's conclusion is not new in itself – many importers admit to pricing goods high in Tokyo on the grounds that Japanese consumers avoid low-priced goods for fear they might be inferior. However, the ministry's charges are significant in the context of the current criticisms levelled by foreign governments at the Japanese distribution system.

Springer plans Italian national daily newspaper

By **Raymond Snoddy**

THE Axel Springer organisation, the West Germany publisher, is planning a move into the international market with a new Italian daily newspaper.

The paper, which will be claimed as the first truly national Italian newspaper in a country of regionally-based papers, is to be called Nuova Extra.

The new Italian daily, which will be in the style of Springer's successful West German tabloid Bild, will be produced with the Italian newspaper publisher Monti-Gruppe.

Test marketing of a dummy issue of the paper has already been carried out. Although the final decision to go ahead has not been taken, a launch this autumn is now considered likely.

The tabloid popular paper will be at least 50 per cent colour and the aim is to go for a circulation of 1m – very large by Italian newspaper circulation standards. The intention is also to undercut the price of existing Italian dailies by around 20 per cent.

Springer's plans are a further sign that the European newspaper market is becoming increasingly international.

East-West topics head Elysée talks

DEVELOPMENTS in Eastern Europe and prospects for East-West relations were at the centre of discussions in Paris on Saturday between President François Mitterrand and Mrs Margaret Thatcher, writes Ian Davidson in Paris.

The British Prime Minister's brief lunch-time visit to the French President was part of a process of meetings between the two leaders which, like those between other European Community statesmen, have become so regular as to be almost routine.

Nevertheless, both sides were remarkably silent afterwards over the content or conclusions of their talks. British officials suggested that it was a successful meeting, with a good, interesting discussion.

They said the main topics of conversation had been Eastern Europe and East-West relations, rather than the affairs of the European Community; but Elysée officials declined either to identify the subjects of discussion, or to characterise the the conversation.

Such exceptional discretion could imply that the two leaders had been unusually frank with one another on questions of international delicacy.

Rise in Swiss trade deficit

THE SWISS merchandise trade deficit last year increased by 31.3 per cent to reach SFr10.94bn (£4.38bn), its highest point since the record shortfall of SFr11.25bn in 1980, writes John Wicks in Zurich.

Imports rose in absolute terms in 1989 to SFr95.21bn, or some 15.5 per cent. This sharp increase is attributed primarily to high levels of economic activity in Switzerland, but also to the weakening of the Swiss franc.

Exports also benefited from heavy foreign demand.

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OVERSEAS NEWS

VOLKSWAGEN GROUP KEEPS PLACE AT TOP OF LEAGUE

W Europe car sales continue rising

By Kevin Done, Motor Industry Correspondent

WEST European new car sales rose by 3.6 per cent to nearly 13.5m last year, reaching a record level for the fifth successive year, and marking the climax to the longest period of sustained growth ever enjoyed by the West European car industry.

The Volkswagen group of West Germany, which includes Audi and SEAT, maintained its position at the top of the West European car sales league for the fifth successive year, despite a fierce challenge from Fiat of Italy.

According to preliminary industry estimates, the VW group captured 15 per cent of West European new car sales compared with the 14.8 per cent achieved by the Fiat group, which includes Lancia, Alfa Romeo and Ferrari.

All of the big-volume markets – West Germany, Italy, the UK, France and Spain – showed continued growth last year and all but West Germany reached a record level.

New car sales were higher last year in 13 of 17 markets across Europe, with record sales also achieved in Belgium, Switzerland and Finland. Sales fell in only four markets – Sweden, Denmark, Norway and Portugal.

After five years of record sales, the West European car market ended 1989 on a weak note, however, with a steep drop in sales in December of around 11 per cent, according to industry estimates.

Sales were lower than a year ago in 10 of 17 markets, including the UK, France and Spain.

The rate of growth in new car sales slowed during 1989, and demand was lower than a year ago in the final four months, with falls in September and December.

Most European car makers have been surprised by the continuing strength of demand in the past two years, and are forecasting a dip in sales in 1990. Automotive Industry Data, the UK-based automotive analyst, is forecasting a fall in sales to around 13.2m this year.

VW's claim to leadership of the West European car market is disputed, by Fiat, which maintains that it ousted VW from that position last year.

Unlike most other car makers and industry analysts, Fiat refuses to use the official West German new car registration statistics on the grounds that the system classifies some vehicles, such as minibuses and some car-derived vans, as passenger cars.

On the basis of its own estimates, Fiat claims it captured 15 per cent of a total European market of 13.32m, compared with the 14.8 per cent taken by VW.

General Motors of the US (Opel in Continental markets and Vauxhall in the UK) emerged clearly the fastest-growing volume car-maker in West Europe last year, helped by the success of its Opel Vectra/Vauxhall Cavalier launched in late 1988.

GM car sales in Europe jumped 10.2 per cent to 1.488m. The group boosted its share of the West European market to 11 per cent and is rapidly closing the gap behind fourth-placed Ford.

GM's fortunes in Europe should receive a further boost in the late spring when it launches its new Opel/Vauxhall Calibra coupé, which will take it into a segment of the European market dominated by Japanese car makers in recent years.

Ford's fortunes will also be vitally affected by the launch later this year of its new-generation Escort small family car, which is its best-selling volume car in several European markets.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-December 1989

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 89	Share (%) Jan-Dec 88
TOTAL MARKET	13,478,000	+3.6	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi and SEAT)	2,021,000	+4.1	15.0	14.9
Fiat (incl. Lancia, Alfa Romeo & Ferrari)	1,991,000	+3.0	14.8	14.8
Peugeot (including Citroen)	1,704,000	+1.8	12.7	12.9
Ford	1,562,000	+6.8	11.6	11.3
General Motors (Opel, Vauxhall & US)	1,488,000	+10.2	11.0	10.4
Renault	1,392,000	+5.3	10.4	10..2
Mercedes-Benz	434,000	−2.1	3.2	3.4
Rover	412,000	−7.9	3.1	3.5
Nissan	392,000	+2.4	2.9	3.0
BMW	377,000	+6.2	2.8	2.7
Toyota	344,000	−2.3	2.6	2.7
Volvo	266,000	−0.6	2.0	2.1
Total Japanese	1,457,000	−0.1	10.9	11.3
MARKETS:				
West Germany	2,852,000	+1.6	21.2	21.6
Italy	2,362,000	+8.2	17.5	16.8
United Kingdom	2,301,000	+3.9	17.1	17.0
France	2,275,000	+2.6	16.9	17.0
Spain	1,129,000	+6.2	8.4	8.2

Source : Industry estimates

The main losers in the European car market were Rover of the UK and West Germany's Mercedes-Benz. Rover's sales volume dropped an estimated 7.9 per cent. Mercedes-Benz increased its sales in several European markets, but was hit by a heavy fall in West Germany, where demand for diesel cars has continued to plunge under the impact of environmental concerns.

The total volume of Japanese car sales in West Europe was virtually unchanged at 1.457m, and the Japanese share of the market fell to 10.9 per cent from 11.3 per cent a year ago. The volume of Japanese car sales is expected to rise steadily in the mid-1990s, however, as Japanese car makers' local European assembly plants build up production.

The relative sales performances of the big-volume car makers in Europe will be affected this year by the wave of restructuring moves announced in the final months of 1989.

This year, the GM group will include Saab of Sweden, in which it took a 50 per cent shareholding and management control in December. Saab sold an estimated 67,000 cars in West Europe last year.

At the same time, Ford has taken over Jaguar, while Fiat is completing its control of the Italian auto industry by taking a majority stake in Innocenti and a 49 per cent stake in Maserati.

Day a long-distance swimmer turned turtle

DOWN in County Kerry in the south-west of Ireland, it's well known that Christopher Columbus called in to ask for directions on his way to discover the continent of America, writes Kieran Cooke in Dublin.

Yesterday, another equally intrepid explorer dropped in on Kerry. A young loggerhead turtle, usually resident off the coast of Florida, was found washed ashore on Kerry's Dingle Peninsula.

The turtle, promptly christened Timmy by the locals, is only 12 inches long. Naturally Timmy was exhausted. He was also feeling the cold of Ireland's winter waters.

Mr Gabriel King, a Dublin businessman, organised a rescue mission. Timmy the turtle was first flown to Dublin, from where he was then transferred to an Irish military helicopter.

The British military authorities were contacted to see if they would give permission for Timmy to be flown across the border into Northern Ireland.

Timmy the turtle is now reported to be happily swimming about in Ireland's only heated sea water aquarium at Portafery in the North.

Irish conservationists say that once Timmy has recovered his strength, they are hoping to put him on an aircraft again and send him back to Florida.

Italy nearer to free movement of capital

By John Wyles in Rome

ITALY lifted its penultimate barrier to the free movement of capital at the weekend, with a decree allowing Italians to purchase short-term obligations issued in other currencies.

All that remains now is to sanction the opening abroad of bank accounts in lire or foreign currencies. This obstacle should fall in April or May after the Government has aligned taxes on bank interest closer to European averages, comfortably ahead of the European Community's July 1 deadline for the lifting of all capital restrictions.

Italy's step-by-step liberalisation programme, which began over two years ago, has been carried through without any negative effects on the lira. Any potential disadvantages have been offset by relatively high domestic interest rates which have attracted considerable capital inflows since mid-1988, a process which has continued in the past fortnight since the lira embraced the narrower 2.25 per cent fluctuation band within the European Monetary System.

Mr Renato Ruggiero, Italy's Foreign Trade Minister, who signed the latest decree, said the Government had been able to overcome "anxieties of speculative movements against the lire that could have been prompted by expectations of devaluations".

In fact, he added, a net influx of capital was creating "a sufficient safety net for adequately confronting speculation in foreign exchange markets".

The weekend decree will enable Italians to buy a variety of short-term instruments with maturities of less than 180 days. The freedom will apply to all European Community currencies, the US, Canadian and Australian dollars, the Swiss Franc, the Austrian schilling, the Finnish mark and the Yen.

No expert foresees a stampede of Italian investors into foreign short-term assets. Interest rate differentials and Italy's lower rate of tax (12.5 per cent) on debt interest mean that domestic bonds and notes are more attractive than most possible rivals.

Lufthansa, Interflug announce co-operation on air services

By David Marsh in Bonn

LUFTHANSA and Interflug, the West and East German airlines, have announced a wide range of co-operation agreements to improve air services, and launched a joint initiative to build for a new Berlin airport by the year 2000.

Mr Heinz Ruhnau, Lufthansa chairman, and Mr Klaus Henkes, managing director of Interflug, said at a press conference at East Berlin's Schönefeld airport that they were pooling forces to strengthen their marketing positions.

Although the two companies will remain separate airlines, the decision to co-operate reflects the gradual process of political and economic unification being developed between the two German states.

In particular, they want to press the Second World War allies to lift "all artificial restrictions" on flights between the two Germanys, including routes to Berlin.

Backed by a large cross-section of public opinion, Mr Ruhnau is growing impatient with the control of the US, France and Britain over the western "corridor" routes between West Berlin and the Federal Republic.

Mr Ruhnau said the city's present airports at Tegel in the West and Schönefeld in the East needed to be expanded, but a site should also be envisaged for a new airport to be built by the end of the century.

"From the logical point of view, this should be in the south [of the city]," he said.

It would have to be built on East German territory outside the city's present limits – and outside allied jurisdiction.

Among the projects unveiled, the two airlines are to set up a joint charter company, as well as other joint ventures in the catering, training and software fields. Technical co-operation and joint operation of airport facilities and hotels will be intensified.

OBITUARY: HERBERT WEHNER

Brusque champion of the SPD

WITH the death of Herbert Wehner, West Germany's Social Democratic Party has lost the most truculent of its post-war leaders, writes David Marsh in Bonn. Wehner, whose death at 83 was announced on Friday, played many roles during a life which mirrored Germany's own uneven path through the 20th century.

A solitary, introverted man, his legendary pipe stuck ferociously in a misshapen mouth, he was denigrated by some on the right as a rabble-rouser.

In some public outbursts he could appear on the verge of apoplexy. To a generation of Social Democrat deputies, "Uncle" Herbert, as the party's parliamentary leader, could, however, betray a soft heart.

With Chancellors Willy Brandt and Helmut Schmidt, Wehner formed a "troika" running the SPD's often troubled affairs during 13 years of coalition government with the liberals, which lasted until 1982.

After Wehner's retirement in 1983, Mr Schmidt, in a rare display of public affection, admitted that the cussed personality of Wehner inspired not only respect but also "love".

Born in Dresden, Wehner was a communist in pre-war Germany, persecuted under the Third Reich before fleeing abroad. In the 1930s, he built up a long-lasting friendship with Erich Honecker, later to become East Germany's leader.

As one of the stalwarts building up the post-war SPD, Wehner was a driving force behind the party's 1959 programme, which turned its back on class war and prepared the Social Democrats for government. The chance came in the 1966 Grand Coalition with the Christian Democrats, of which Wehner was prime architect.

Wehner was a pioneer of building bridges with East Germany. He figured in discreet negotiations started in the 1960s on ransoming political prisoners from East Germany, a practice continued until last year's revolution.

Brusque and often embittered, Wehner bore lightly neither his illnesses – he suffered from diabetes for 20 years – nor his grudges. Mr Brandt blamed him for intrigues forcing his own resignation as Chancellor in 1974.

Wehner, like Germany, was a split personality. His death comes as German unity has at last become feasible, a prospect he never lost from view.

WORLD ECONOMIC INDICATORS
UNEMPLOYMENT

	Dec '89	Nov '89	Oct '89	Dec '88
W. Germany 000's	2,005	2,026	2,004	2,139
%	7.8	7.9	7.8	8.3
US 000's	6,658	6,652	6,563	6,509
%	5.3	5.3	5.3	5.3
UK 000's	1,639	1,612	1,636	2,047
%	5.8	5.7	5.8	7.3
Belgium 000's	352	347	350	379
%	9.9	9.9	10.0	10.7
	Nov '89	Oct '89	Sept '89	Nov '88
France 000's	2,578	2,599	2,588	2617
%	10.9	11.0	11.0	11.1
Italy 000's	3,911	3,898	3,882	3866
%	16.5	16.4	16.4	16.5
	Oct '89	Sept '89	Aug '89	Oct '88
Netherlands 000's	378	381	394	678
%	6.5	6.5	6.8	11.6
Japan	1,430	1,400	1,410	1,520
%	2.3	2.2	2.3	2.4

Source: (except US, UK, Japan) Eurostat

Gorbachev gambles to thwart Soviet backlash

Critics are attacking his motives in using troops to quell the Azerbaijan troubles, Quentin Peel reports

PRESIDENT Mikhail Gorbachev has moved with extraordinary speed to head off a threatened backlash in the rest of the Soviet Union against his declaration of a state of emergency in Azerbaijan, anxious to limit the conflict to the Trans-Caucasus region.

After a rash of protests by the families of young reservists called up to reinforce the virtual martial law in the region, the Soviet Defence Ministry announced on Saturday that the stand-by soldiers would return home by Wednesday.

The move came as opposition politicians dared to criticise the state of emergency, and warned that it could seriously undermine the position and popularity of the Soviet leader.

Although on the face of it the use of Soviet troops in Azerbaijan was an essential move to restore order in the republic, critics said it was only taken when there was a genuine threat to the power of the Communist Party – not when there were violent pogroms launched by Azerbaijanis against Armenians.

Mr Gorbachev's grim television broadcast to the nation on Saturday night was clearly not simply aimed at appealing for an end to the violence between Azerbaijanis and Armenians, but also at justifying his final decision to reimpose order in Baku, the Azerbaijani capital, with a huge show of force, and inevitable bloodshed.

Top-level Soviet advisers insisted last week that the decision to impose the state of emergency, using Red Army soldiers as well as interior Ministry troops, was taken after deep soul-searching on the part of Mr Gorbachev and the Presidium of the Supreme Soviet in Moscow. They say that Soviet military commanders were also extremely loth to get involved, remembering the backlash against the army after 20 nationalist demonstrators died in Tbilisi, Georgia, last April.

Yet there are also indications that the military was prepared for a much more extensive role than at first announced, from the beginning of the emergency.

The mobilisation of reservists in Krasnodar and Stavropol, the Russian regions closest to the Trans-Caucasus, actually began last Monday, January 15, according to unofficial reports from the area – three days before it was announced by General Dmitri Yazov, the Defence Minister.

The state of emergency in limited areas of Azerbaijan, including the mountain enclave of Nagorno-Karabakh, was agreed only that night.

By the time Gen Yazov revealed the decision on Soviet radio, there were already demonstrations against the mobilisation. According to an independent correspondent in Krasnodar, the demonstrators said the only troops sent to the Trans-Caucasus should be UN troops.

The most public criticism of the use of troops in Azerbaijan came yesterday from Mr Boris Yeltsin, the maverick Communist Party politician, currently on a visit to Japan.

"It is a mistake to dispatch troops and suppress ethnic problems by armed force," he said. He warned that East European socialism had become corrupted "because it was state socialism guarded by the military," the financial daily Nihon Keizai Shimbun said.

"Perestroika at present is going round and round and getting nowhere. Its prospects are dark unless President Gorbachev joins forces with us. It might collapse within several months."

Other radicals in Moscow see the decision to use force in Baku as a heavy blow to the entire democratisation process in the Soviet Union, despite Mr Gorbachev's insistence that it was taken only after repeated efforts to find a political solution. Critics in Baku say the Soviet troops are still making no special effort to protect Armenians and other minorities in the city, concentrating instead on guarding administrative buildings.

"That shows their aim," an Azerbaijani journalist said. "Moscow did it only on the day when the party central committee was blockaded by the people."

The use of force in Azerbaijan is a calculated risk for Mr Gorbachev, because the danger of ever more bloody ethnic clashes has been there for all to see. The Soviet leader must have decided that he would win enough support both from the other Soviet nationalities, and in the international community, to take the risk of bloodshed.

A key reason why he was forced to use troops was that his own Communist Party leadership in the area was no longer capable of exerting any authority. Unless Mr Gorbachev was prepared to negotiate directly with the Azerbaijani Popular Front, and therefore openly admit that the ruling party was powerless, he had to fall back on the military option.

Computer experts in US indicted for hacking

By Louise Kehoe in San Francisco

THREE Silicon Valley computer experts have been indicted on charges that they broke into US army and telephone company computers and obtained classified, military and FBI information.

The case has heightened widespread concerns about the vulnerability of data and telephone networks to unauthorised access, and comes in the midst of the trial of another computer hacker who is alleged to have introduced a computer virus into the Arpanet research network which links university and government laboratories throughout the US.

The latest charges resulted from a two-year FBI investigation, according to officials. The three men charged all have ties to SRI International, the California consulting company which is a world centre for research into computer security.

According to the indictment, Mr Poulsen burgled Pacific Bell facilities and stole code books which enabled the three to penetrate government and telephone company computers.

Among the information alleged to have been illegally obtained by the three were the flight orders for thousands of army paratroopers who were on a military exercise, apparently obtained by tapping into the army's Masnet computer network.

They are also alleged to have gained access to information gathered during an FBI investigation into associates of former Philippines President Ferdinand Marcos and unpublished telephone numbers for the Soviet consulate in San Francisco.

Haiti imposes 30-day state of emergency

HAITI'S military Government has imposed a 30-day state of emergency after arresting the leaders of several political parties preparing to contest elections set for this year.

The moves, which followed the murder of an army colonel, are likely to cost Gen Prosper Avril, head of state, much of the limited support he has won by promising elections.

An official statement said the new measures were intended "to protect democratic accomplishments against terrorism."

Diplomats said yesterday that the arrests and the emergency had rekindled speculation that Gen Avril, who took power 16 months ago, is reluctant to leave office.

The developments are likely to embarrass the US Government, which has been saying that Gen Avril offers the best prospects for democratic reform in Haiti.

Marcos lawyer appeals against Zurich ruling

A LAWYER representing the family of the late Ferdinand Marcos said he has appealed against the decision by a Zurich attorney to unblock $260m deposited in Swiss banks by the former Philippine President, AP reports from Geneva.

After an investigation lasting more than three years, Zurich district attorney Peter Cosandey agreed on January 4 to unfreeze Marcos assets in banks. He said this was subject to completion of criminal proceedings in Manila to prove the funds were illegally obtained. The Philippines Government has yet to file charges against the Marcos family.

Grass-roots revolt sends Siberian party bosses packing

By John Parker in Moscow

A NEW Communist Party leadership has been elected in Tyumen, one of the most important regions of the Soviet Union, after the party boss and his entire top echelon were forced to resign en masse following a grass-roots rebellion by local party activists.

An emergency meeting of the committee of the regional party elected as its new leader – but only temporarily – Mr Victor Kitayev, described by the official news agency Tass as "the most democratic representative of the previous leadership".

The meeting – broadcast live in the region in response to strong public interest – decided to bring forward to April a full party conference, at which new elections will be held.

Tyumen, east of the Urals, is larger than South Africa and is the Soviet Union's biggest oil and gas producer. The former party boss is Mr Gennady Bogomyakov, accused by no less than the government's own newspaper, Izvestia, of being "to a notorious degree... a model of the command-administrative system".

Last year, he was proposed by the Prime Minister, Mr Nikolai Ryzhkov, as the new Oil and Gas Minister, only to be rejected by the Supreme Soviet, the country's parliament, amid accusations he had turned Tyumen into an environmental desert in pursuit of planned oil-output targets.

Mr Bogomyakov was party boss of Tyumen for 17 years, presiding over its rise to become the heart of the west Siberian oil region, which produces about 60 per cent of the country's oil. Until Mr Gorbachev's arrival, the Kremlin lavished praise on his district's contribution to economic growth.

But, as the account of his "retirement" in a Tass report puts it: "In the euphoria over the development of mineral wealth, it was forgotten there is a need to create the necessary living and working conditions. Settlements and towns in Tyumen lack facilities. Roads are bad. There are shortages of housing and an insufficient supply of goods."

This, combined with Mr Bogomyakov's autocratic style, has pushed the local Communist Party into open rebellion. Last week, after he had dismissed his number two, a letter appeared in the local press from the ideology secretary, Mr M. Metakov, savaging his boss's "politics of intrigue".

"It's about time he retired," said another party secretary. "The years of perestroika have changed virtually nothing in the lives of the people of Tyumen, if indeed, things have not got worse."

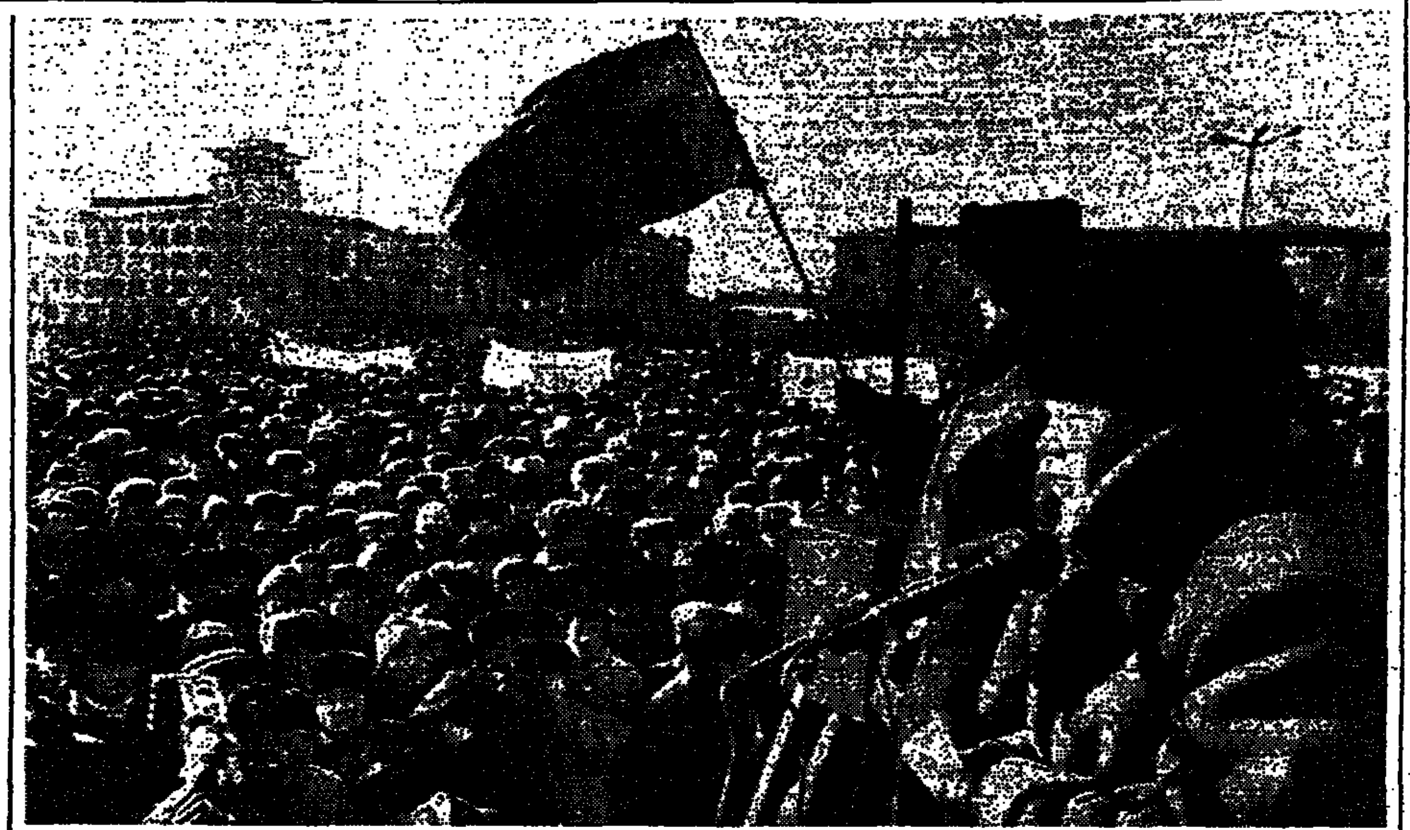
This week, a meeting of grass-roots party activists called for the resignations of Mr Bogomyakov and his whole politburo. The opportunity for this rebellion has come with Mr Gorbachev's attempt to democratise the Communist Party by encouraging local party bosses to run for office in contested elections.

Though Mr Gorbachev has backed down on the requirement that party leaders must run for election, they are still under popular pressure to prove themselves electorally. With elections in Tyumen due at the beginning of March, local party members have been trying to get rid of Mr Bogomyakov on the grounds he is unelectable.

Last spring, he stood unopposed for a seat in the Congress of People's Deputies, the country's super-parliament, but failed to win because he did not receive the required 50 per cent of votes.

Whether new leaders will be able to placate the electorate, however, is open to doubt. In the contest to succeed Tyumen's boss, no fewer than 19 candidates have come forward.

According to a member of the local ideology department, an opinion poll in the city of Tyumen, capital of the region, and in the neighbouring electoral district of Khanta-Mansiis showed that only 5-10 per cent of those polled said they would vote for communists in the forthcoming local elections.



About 7,000 Mongolians defied a government ban on demonstrations and flocked to Ulan Bator's main square (above) yesterday to demand democracy after 69 years of communism, Reuter reports from Ulan Bator.

The leader of the Mongolian Democratic Union, university lecturer Fanjasuren Zorig, later said his opposition group wanted a multi-party system, an independent economy and the truth told about Mongolia's blood-stained communist history.

Demonstrators braved temperatures of –22 Celsius (–8 F) to crowd around a rostrum in the central Sukhbator square, cheering as Zorig and others denounced the Government. Demonstrators waved banners calling for an end to special privileges for the communist élite and for a five-day working week.

It was the fourth time protesters had swarmed into Sukhbator Square since early December. But it was the first action in direct defiance of the Government, which banned demonstrations in parts of the capital last Thursday. Zorig called the ban unconstitutional.

The Union, formed in December, says it has 60,000 members, just 30,000 fewer than the ruling People's Revolutionary Party. The Union has been recognised by the government provided it obeys the constitution. Its leaders have held meetings with Communist Party officials but not the ruling Politburo. The government under 63-year-old President and party chief Zhambyn Batmunkh has cautiously embraced some of the economic and political reforms of Soviet leader Mikhail Gorbachev. ● AP adds from Moscow: The ruling party's politburo has decided to reduce the privileges of top party members, including a reduction in the number of official cars and the closing of a special food shop, the Soviet news agency Tass reported.

Moscow's crackdown a dilemma for Iran

MOSCOW'S crackdown in Azerbaijan poses a dilemma for Iran, torn between commitment to fellow-Moslem Azerbaijanis and the need for political and economic ties with the Soviet Union, Reuter reports from Nicosia.

Iran's clerical leaders, who see themselves as protectors of Moslems round the world, are angry President Mikhail Gorbachev sent tanks and troops to suppress Azerbaijanis. But Tehran wants an end to the border tension, which threatens its carefully-cultivated links with Moscow.

At stake are economic pacts worth billions of dollars and hopes that Moscow could help force Iraq to withdraw from Iranian border areas it still holds 17 months after the Gulf war ceasefire. One of the main economic deals between Tehran and Moscow would resume gas exports in March through a pipeline from Iran's southern oil fields to Soviet Azerbaijan.

Iran's late spiritual leader Ayatollah Khomeini blessed Tehran's growing ties with Moscow after a decade of strains, in a letter to Mr Gorbachev a year ago. The links were cemented in a visit by Iran's President Rafsanjani in June, in which he called for greater contacts between Soviet Moslems and Iranians, in a speech in the Azerbaijani capital, Baku.

He has not commented on the latest violence, which Mr Gorbachev has blamed on extremists and Moslem fundamentalists. But other top Iranian officials have criticised the Kremlin for its handling of the crisis, saying Moscow had been influenced by anti-Moslem prejudice. "The Soviet leadership should know that resort to violence is not the solution to the problem of Azerbaijan," the Iranian news agency IRNA quoted the parliament Speaker, Mehdi Karrubi, as saying.

"Obviously, violence and toughness towards people will entail consequences," he added, contrasting Moscow's action in Azerbaijan with its willingness to negotiate in the Baltic republics. The daily Tehran Times yesterday dismissed as "outrageous" reports by the Soviet government newspaper Izvestia that Iran had supplied Soviet Azerbaijanis with weapons.

Iranian officials, while backing Soviet Azerbaijani demands for greater religious freedom, have not supported calls for a united Azerbaijan.

Yugoslav Communists still at odds as end nears

By Judy Dempsey in Belgrade

YUGOSLAVIA'S ruling League of Communists, bitterly divided on its future political role and more than ever uncertain about how to respond to the changes sweeping across Eastern Europe, at the weekend opened what is expected to be its last federal party congress.

The first session on Saturday, delayed for three hours by bickering among the 1,601 delegates over the agenda and the draft final document, quickly exposed the two diametrically opposed views at the congress on the party's leading role and the multi-party system.

Putting aside all pretence of unity, Mr Milan Pancevski, the federal party leader, lashed out in his congress address against the radical reformers, most notably those from Slovenia, who are the most vocal in calling for political pluralism.

"The Communist Party finds unacceptable the thesis according to which the essence and form of political pluralism are reduced to a classical multi-party system," he said.

And in language thought to have disappeared from the East European vernacular, he went on to denounce "bourgeois ideological dogmatism which proclaims capitalism as the final goal of human society, civilisation and progress".

But Slovenian party leader Ciril Ribicic warned: "With the changes in the Soviet Union, Hungary, Poland, Czechoslovakia, Romania and Bulgaria, this congress is the last chance for Yugoslav communists to make a fundamental watershed towards multi-party pluralism".

Along with neighbouring Croatia, Slovenia will allow free multi-party elections in the spring, the first for 45 years.

As a means of speeding up the reform process throughout the country, the Slovene delegates yesterday threatened to pull out altogether from the federal party if its draft document for a new party structure, based on a confederation which would formally create eight independent communist parties, was not accepted.

The draft document was rejected outright by Mr Slobodan Milosevic, the populist and former leader of Serbia, who accused the Slovenes of creating a climate for civil war.

Serbia, one of the most dogmatic party organisations, supports a multi-party system, but within the framework of the ruling Communist Party. Besides the loss of power and privileges, it fears that free and independent political parties would be based on ethnic/nationalist aspirations and not on political/ideological goals.

The congress, which is scheduled to end tomorrow, yesterday broke up into commissions, of which two will consider the party's leading role and new party statutes.

30,000 Khmer Rouge leave Thai camps for Cambodia

ABOUT 30,000 Khmer Rouge fighters and their families have been moved from secret camps inside Thailand across the border into captured areas of Cambodia, Thai military and civilian sources said yesterday, Reuter reports from Aranyaprathet, Thailand.

The guerrillas and their dependents were moved from hidden camps near the villages of Khao Din and Khao Chong Kaep, south of Aranyaprathet, in the last few weeks.

They had dismantled their wooden houses and taken their stores and animals with them to areas in north-west Cambodia which were captured from government forces after withdrawal of Vietnamese troops last September.

A Thai army officer, who declined to be identified, said there had been strong pressure from Bangkok for the move. An order had been sent from the Supreme Command on January 13 that all the guerrillas should be cleared from Thailand.

Guerrillas of the non-communist Khmer People's National Liberation Front (KPNLF), which had also operated from camps on the Thai side following a Vietnamese offensive in 1985, have already moved across, KPNLF officials said. Apart from the guerrillas and their families in clandestine camps, more than 250,000 civilian refugees live on the Thai side in UN-administered camps.

Thai Prime Minister Chatichai Choonhavan last week expressed his support for an end to the guerrilla presence in Thailand in response to an appeal by a group of 90 MPs.

Although the Government formally denies giving the guerrillas sanctuary, journalists and aid workers have visited rebel camps and spoken to military commanders in Thailand.

Bangkok has supported the three forces – Khmer Rouge, KPNLF and the Sihanoukists – in their fight to oust the Vietnamese and the Communist Government they installed in Phnom Penh, although Mr Chatichai is now seeking more of a mediating role.

Thai military sources said the Khmer Rouge, who ruled Cambodia for four years until 1979, moved from camps in the flat scrubland about three kilometers inside the Thai border to areas under their control inside their own country.

They were Phnom Malai, just south of Aranyaprathet, Phnom Chakrai just across from the main civilian Khmer Rouge camp of Site 8, and the hilly area near Pailin, a gem-mining town captured in October.

The Khmer Rouge and other guerrilla groups use civilians living in their camps to carry ammunition and other supplies to fighters deep inside Cambodia.

Villagers said Khmer Rouge guerrillas had already started road construction in Phnom Malai.

Heavy equipment, including bulldozers seized from government forces, have been deployed to clear land.

Mexico to improve patent protection

By Richard Johns in Mexico City

FULL commitment by Mexico to observe patents and intellectual property rights in line with international practice has been made in the 1990-94 National Plan for Industrial Modernisation and External Commerce.

The policy statement of the Ministry of Commerce and Industry (Secofi) promises that legislation will be submitted to Congress "to improve in the near future the legal framework for intellectual property so that the protection offered in the country may be similar to what is provided for in the industrialised countries".

With this assurance, Mexico is trying to end friction with the US, its main trading partner, and to strengthen its hand in dealings with its powerful neighbour. It also wants to ease the way for patent and royalty agreements with West European companies.

The document envisages extending respect of patents for 20 years rather than the 14 years envisaged under present legislation.

It complements the recent decree on transfer of technology, with the abolition of the 10-year limit on confidentiality and contracts, as well as the state's approval of agreements and their term.

Such a move would probably not be popular with the old guard of the ruling Institutional Revolutionary Party or the centre-left Party of the Democratic Revolution in the Mexican Congress.

The assurance has come just before President Carlos Salinas de Gortari's visit to Europe, during which he will meet Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade.

Mr Salinas's Government is concerned that, even though it has honoured undertakings since adhering to Gatt in 1986, Mexico's exports face many obstacles which it does not put in the way of its own trading partners. It complains of quota restrictions, non-tariff barriers and specification requirements which, it alleges, have been set to bar its exporters.

Even if the policy document masterminded by Dr Jaime Serra Puce, Minister of Commerce and Industry, does not explicitly say so, reference to these non-tariff barriers is directly related to US restrictions on imports of Mexican steel, textiles and agricultural products.

The Secofi policy statement also reflects grave concern about West Europe's moves towards a single market by the end of 1992. This will be a preoccupation of Mr Salinas's nine-day tour from January 25, covering Portugal, the UK, West Germany, Belgium and Switzerland, where he will address the World Economic Forum at Davos.

Mr Salinas and his administration are anxious to get a foothold in the European Community to lessen Mexico's dependence on commercial ties with the US.

Fed and White House pull their punches

Conflict over interest rates is falling short of open warfare, reports Peter Riddell

"GOOD monetary policy, Mr President, will give you the low interest rates you eventually want to see," said Federal Reserve Governor Mr Wayne Angell last Friday evening, in response to President George Bush's call for a cut in US interest rates.

Differences between the Fed and the White House over interest rates are as ingrained in the US system as the separation of powers between the executive and the legislature. The Fed is institutionally bound to be more cautious and more concerned over inflation, while the Administration believes more rapid growth can be allowed without risking an acceleration of price rises.

Moreover, last week's airing of contrasting views is, like similar events of the past year, more akin to a gentlemanly disagreement than the open warfare of the early 1980s between the Reagan Administration and Mr Paul Volcker as Fed chairman. Relations between the Bush team and Mr Alan Greenspan, the chairman for the past 2½ years, may at times be strained, but close contacts are maintained.

The latest differences are significant because of the timing and the evidence of a shift in views on the Fed's key policy-making Open Market Committee (FOMC). Last year, the Fed reduced interest rates cautiously and gradually in face of often uncertain economic data and divisions on the FOMC. Most of the regional Fed presidents were against too much easing of the monetary squeeze because of continued fears about inflation, while a majority of the Washington-based Fed governors were inclined to support lower rates.

However, the latest indications are that two key Fed governors – Mr Manuel Johnson, the vice-chairman, and Mr Angell – have shifted, and are now reluctant to see a further cut in interest rates.

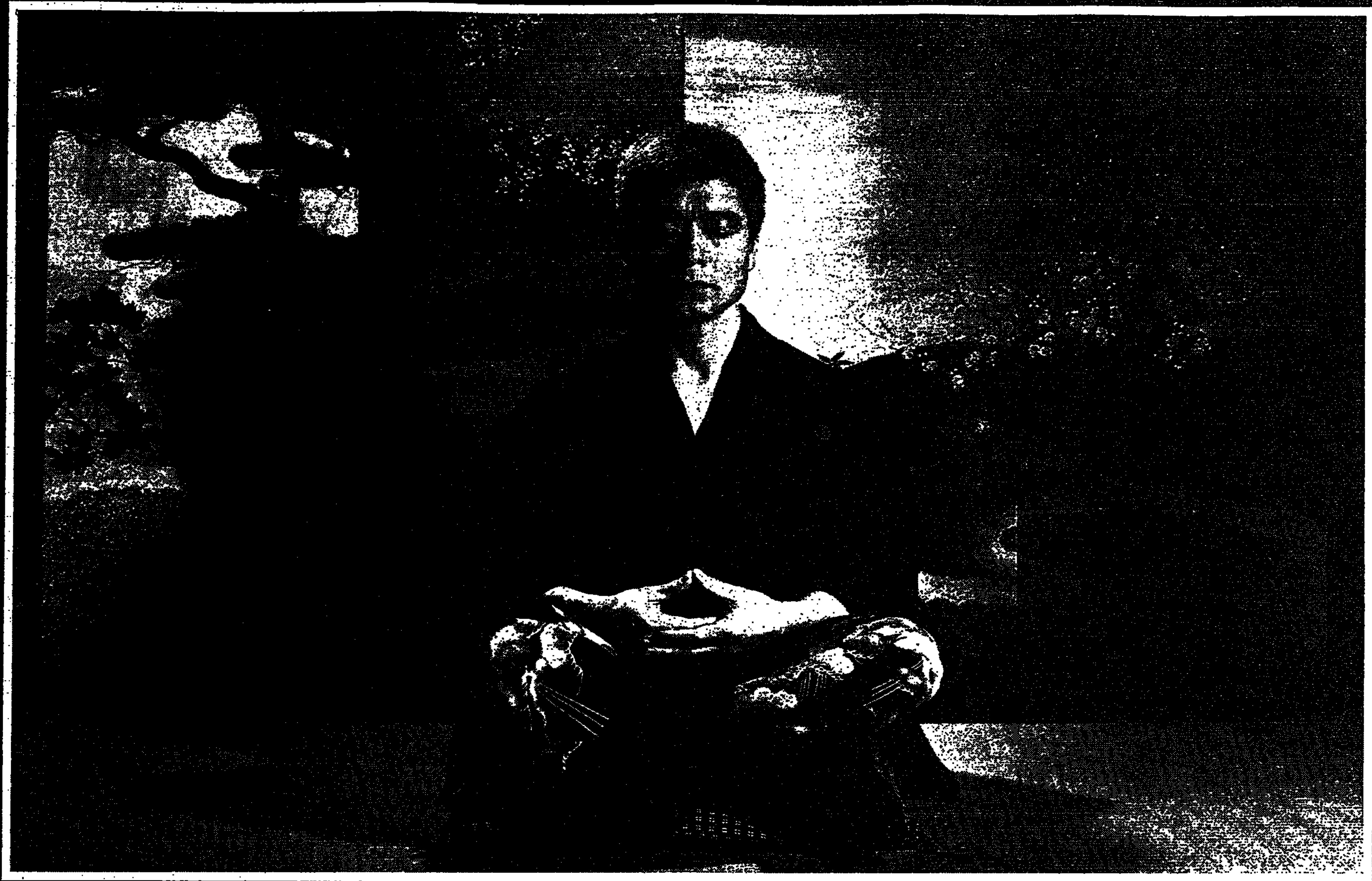
They concede that the US economy hardly grew at the end of last year, but believe the forward indicators of activity are more favourable and a recession can be avoided. By contrast, both governors have pointed to a recent rise in yields on long-term bonds as an indicator of inflation worries. (Consumer prices rose 4.6 per cent last year.)

As Mr Angell noted, "when long bond rates rise, that's an indication that the tough guys playing with big money don't trust us." He added that if the Fed were to lower interest rates now, "it would be the first time we had two prime rate reductions before the onset of a recession."

So an early, further easing in US monetary policy now looks highly unlikely, despite the White House's greater optimism about inflation.

The timing is also significant, because a month of intense public activity on economic policy is about to begin. The president's budget will be unveiled a week today, and senior members of the administration and Mr Greenspan will testify about the economic outlook several times to congressional committees in the coming weeks.

The Administration's worries were underlined yesterday by Mr Richard Darman, the budget director. He recalled that last summer he had said that "if there were a softening of the economy, it might well be because the Fed stayed too tight, too long. We are now having a regrettable softening. This last quarter [with Gross National Product figures due on Friday] is going to come in at a very, very, very low rate of growth." So pressure on the Fed is not going to disappear soon.



UK NEWS

Pay likely to dominate economic debate

By Philip Stephens

THE rising level of pay settlements is expected to be at the centre of a major debate on the economy in the House of Commons tomorrow.

This will also be a key week in the Ford workers' and ambulance disputes.

Mr John Major, the Chancellor, is expected to underline the Government's view that if large pay increases are not accompanied by commensurate rises in productivity, they will feed through into higher unemployment.

Despite recent reports that more government money may be available to settle the ambulance dispute, Mr Major has been adamant that such a move would undercut decisively efforts to hold the line on pay in the public sector.

He has also made it clear that he will not relax the present interest rate squeeze as long as the level of private sector settlements is accelerating.

The Chancellor, however, is thought to be under pressure from Cabinet colleagues not to follow recent trends in the money markets and push up again the level of interest rates.

Mr Michael Howard, secretary of state for employment, last night expressed disappointment that unit wage costs in the private sector were increasing. He emphasised, however, that it was up to employers to decide how much to pay out in wage rises; it was up to the Government to provide the framework.

Tomorrow's debate, which will focus on the Government's autumn economic forecast, will be used by the Labour Party to blame the Government's handling of the economy for the pay pressures.

It will argue that planned price rises for several public sector services and the replacement of domestic rates by the poll tax, or community charge, mark an inflationary "own-goal" by the Government which will encourage still higher pay awards.

Editorial, Page 14

Report attacks Channel tunnel plans

By Andrew Taylor, Construction Correspondent

BRITISH RAIL, the state rail network, and the Government are accused, by implication, of incompetence over their plans for regional links to the Channel tunnel, in a report by the Economist Intelligence Unit, a London think-tank.

The unit says the failure to develop satisfactory plans to improve links between the regions and the tunnel between England and France would only widen the economic divide between the prosperous south-east of England and other areas.

Regions such as the midlands, the north and Scotland would be unlikely to receive any benefit from one of the world's greatest construction projects unless they were connected to a high-grade European rail network, it adds.

South-east England, in contrast to other UK regions, would benefit from strengthened rail links with the major conurbations of north-west Europe, the unit says.

"It seems astonishing," says the report, "that a rail-based project costing up to £7bn can have got so far without British Rail having come up with a viable solution for joining it to the rest of the rail network."

Kent, meanwhile, could benefit because French authorities fear the area's greater environmental attractiveness compared with the industrial region of Nord Pas de Calais in northern France would give the English county an advantage in attracting mobile industries, the report adds.

"From the British perspective, the tunnel serves as an unplugged drain through which economic activity will be pulled by the attractions of locating even closer to the economic centre of Europe."

The unit says northern France has relatively high unemployment and was actively encouraging companies to relocate to the area by regional assistance schemes.

"With the possible exception of the Nord Pas de Calais and Hainault regions, it seems unlikely that the Channel tunnel by itself will prove important in solving any of the problems of peripheral areas such as high unemployment, population drift, low incomes and unfavourable age distributions," says the report.

Eurotunnel, the Anglo-French Channel tunnel consortium, is later this year expected to raise up to a further £1.5bn to cover construction costs.

The cost of building and equipping the tunnel, due to be completed in 1993, has risen to more than £7bn compared with an original forecast of £4.8bn.

Channel Tunnel: Economic and Regional Impact; UK and Europe, £195; North America, $385; elsewhere £198. The EIU, Duke Street, London

IN BRIEF

N Ireland Cardinal challenges politicians

O'Fiaich: call for talks

CARDINAL Tomas O'Fiaich, leader of Northern Ireland's Roman Catholic community, challenged the province's political leaders to meet and discuss the prospects for progress without surrendering points of principle on either side.

Cardinal O'Fiaich said on BBC Radio Ulster he believed that in the long term, the people of Northern Ireland and the Republic would realise they had more in common than people in any other part of Europe, and that it would be possible to move a lot closer, perhaps through some sort of federal relationship.

The Cardinal acknowledged that in the immediate future it must be the people of Northern Ireland who decide which sort of government they want.

Ultimatum on Rushdie

A British Moslem leader named withdrawal of Salman Rushdie's book, The Satanic Verses, as the pre-condition to end the hounding of the author accused of blasphemy.

Dr Kalim Siddiqui, the director of the Moslem Institute, said: "If the book was withdrawn and compensation paid to the worst sufferers of this episode, we would consider the matter closed."

Theatre sponsorship

Jeffrey Archer, the author and former deputy chairman of the Conservative Party, announced the first commercial sponsorship of one of London's West End theatre.

His Playhouse Theatre in London's Northumberland Avenue will receive £500,000 during the next three years from the MI Group, a finance investment company.

Rescue hoax

A major air and sea search was scaled down after a mayday message reporting 10 people in liferafts was suspected of being a hoax.

The rescue operation was launched at the weekend after radio hams in the US and Britain picked up the call from what was described as a Spanish-registered vessel, the Armin Rose.

Coastguards co-ordinated a big search but failed to find any trace last night.

Threat to monarchy

Only 49 per cent of Britain's population believes the monarchy will survive the next 100 years, according to poll conducted by the Sunday Times newspaper.

Lucas starts £1m health care scheme

By Richard Tomkins, Midlands Correspondent

LUCAS Aerospace, the automotive, aerospace and industrial group, has launched what it believes to be the UK's most extensive employee health care scheme.

It is called Lucas Care and will offer medical advice and screening to all 31,000 full-time and 3,000 part-time members of the group's UK workforce.

The service will be offered to employees without charge and within normal working hours. It is estimated that the cost- the company will be between £1m and £1.5m in the first year, depending on take-up.

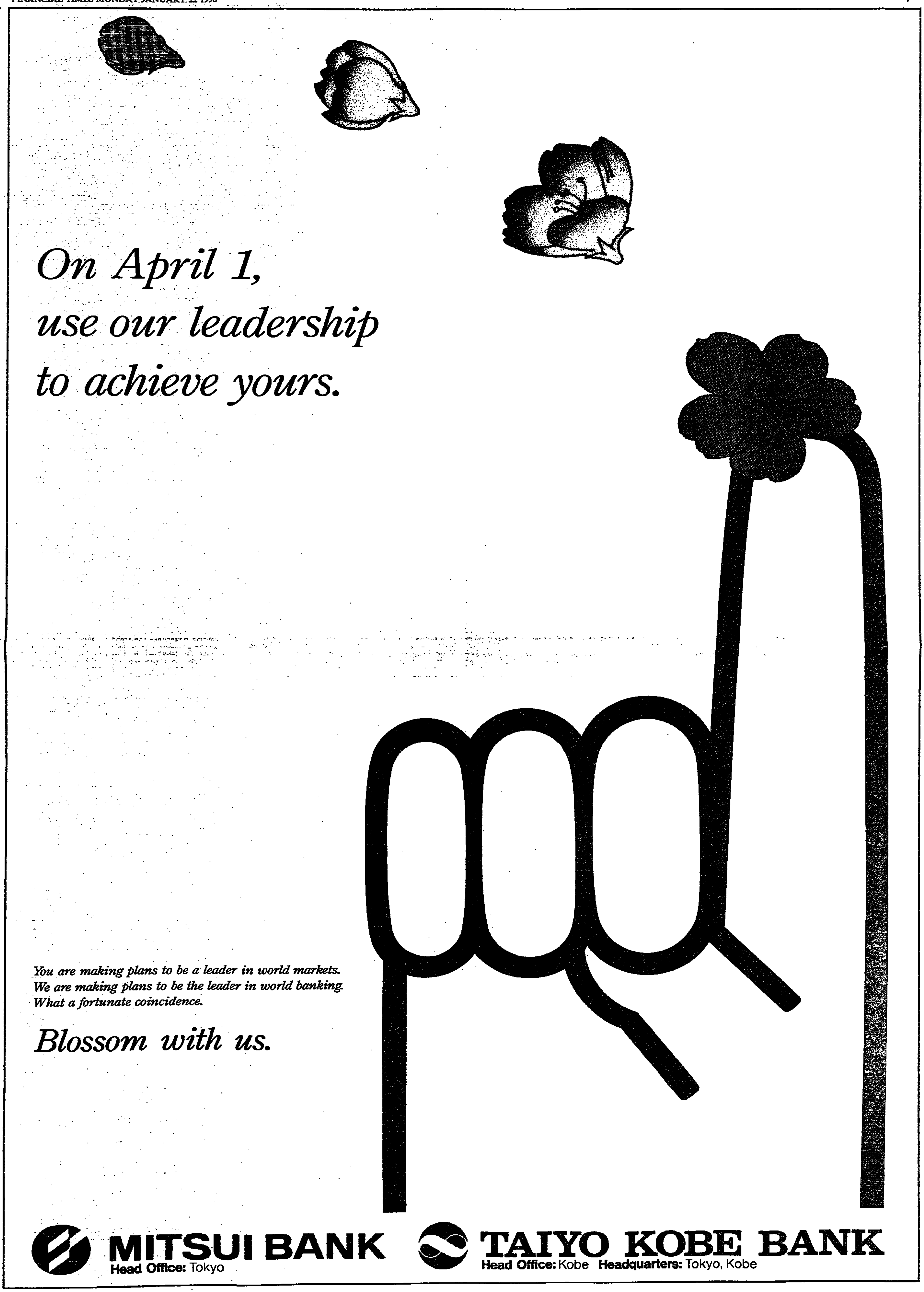
The introduction of the scheme underlines the trend among manufacturers to maximise the potential of their employees in preparation for growing labour shortages and the competitive challenges of the 1990s.

Lucas has emerged as one of the most progressive UK employers. Last year it introduced a company-funded training and education programme aimed at encouraging its shopfloor and white-collar workers to broaden their skills and qualifications.

The Lucas Care scheme will be open to all employees on a voluntary basis. It will be administered by the company's own occupational health staff on company premises.

One area to be targeted will be the reduction of heart disease, cancer and strokes.

Workers will be entitled to regular screening to identify the risks from high blood pressure, smoking or excessive weight.


On April 1,
use our leadership
to achieve yours.
You are making plans to be a leader in world markets.
We are making plans to be the leader in world banking.
What a fortunate coincidence.
Blossom with us.
MITSUI BANK
Head Office: Tokyo
TAIYO KOBE BANK
Head Office: Kobe Headquarters: Tokyo, Kobe

Manchester faces £733 poll tax, report suggests

By Philip Stephens, Political Editor

MANCHESTER Council will today examine an official report that says that it will have to set a community charge, or poll tax, of £733 in April – more than twice the expected national average – unless it agrees sharp cuts in spending or new creative accounting devices.

The figure, contained in a report drawn up by the officers of the Labour-controlled authority, is expected to provoke a sharp attack by ministers on the level of tax planned by Labour local councils.

After last week's vote in the House of Commons confirming the arrangements for the tax, ministers are determined to "go on to the offensive" in defending its introduction.

That will involve blaming Labour councils for any sharp rises in the amount individuals will have to pay relative to the present system of rates and, possibly, the introduction of compulsory "caps" on spending by particular authorities.

Yesterday Mr David Hunt, the Local Government Minister, said he was concerned about "evidence of abuse of local power in Manchester."

The authority seemed intent on "setting the highest charge it can get away with rather than the lowest level compatible with value for money."

According to government figures, Manchester should set a poll tax of about £315 a person in April. It is accepted in Whitehall that the figure may be on the low side, but ministers will argue that the blame for anything but a small increase will rest firmly with the council.

The document drawn up by the officers suggests that Manchester's spending will be £90m higher in 1990-91 than allowed for by the Government. Depending on the specific comparison, that would allow for an increase in spending over this year of between 14 and 33 per cent.

The document also highlights the large amounts of cash owed by the council from previous creative accountancy schemes.

They include £80m owed under a leaseback arrangement and £127m by Satman, a company set up by the council.

It suggests further such arrangements might cut the poll tax bill for next year to around £590 a person. That would still leave it, however, at twice the £278 figure which the Government has set as a national average.

SE may act over Brent Walker share deal

By Richard Waters

THE STOCK Exchange is believed to be looking into the sale by leisure group Brent Walker of shares in Baldwin, another leisure company, late last year.

Brent Walker's chairman, Mr George Walker, was a director of Baldwin until the sale of the shares, amounting to 17.3 per cent of Baldwin, on December 29.

The sale was made in advance of Baldwin's annual results, due today – whereas the exchange's code of conduct on directors' share dealings forbids dealings in the two months before a price-sensitive announcement.

Brent Walker said yesterday: "We weren't in breach of

George Walker: not in board meetings for a year

the code, either legally or morally." It said that, since the Baldwin shares were owned by Brent Walker rather than by Mr Walker personally, and since Mr Walker owned less than 30 per cent of Brent Walker, the sale was not covered by the exchange's code.

The company took legal advice from Simmonds & Simmonds before the sale went ahead.

The company also said that Mr Walker had not attended any Baldwin board meetings since Brent Walker acquired its stake on the acquisition of Ellerman Holdings, the pubs, brewing and wine group, a year ago.

Transactions involving directors are routinely monitored by the exchange. Any that fall within the two months specified in the code are automatically taken up for investigation by the exchange's quotations department, and are referred to its insider dealing group.

Hollywood looks rouse the bruised faithful

Philip Stephens charts Kenneth Baker's tour which begins the election campaign

NINE O'CLOCK on a Saturday morning in the freezing, dismal greyness of Cleckheaton, West Yorkshire: it is hard to think of less appropriate circumstances for a political rally.

In the cramped offices of the Batley and Spen Conservative Association, however, the party faithful have gathered to cheer their embattled spirits.

Mr Kenneth Baker, the party chairman, is here from London to open officially the first headquarters the local party has had since it won marginal Batley and Spen from Labour in 1983.

He is there to reassure them that, whatever the opinion polls are saying about the Government's popularity, about high interest rates, about the community charge or poll tax, there is still time to recover before the election, due by mid 1992.

Mr Baker, responsible for running the election campaign, is starting early.

On his success or failure will ride not only the Government's hopes of a fourth term but also his own keen ambition to succeed Mrs Margaret Thatcher as party leader and Prime Minister.

So his two-day lightning tour of West Yorkshire is the 18th such visit since he took over as chairman last July. By the time the election eventually is called he will have criss-crossed the country dozens of times.

In Cleckheaton, with Mrs Elizabeth Peacock, the local MP, at his side, Mr Baker's message is clear, simple, and delivered with the rogueish charm that is his political trademark.

The real election battleground will be in constituencies just like this: in Yorkshire, the north-west and the Midlands, where Conservatives during the 1980s have destroyed Labour's traditional stranglehold on power. The shape of the approach that Mr Baker is preparing for that battle comes across in just a few sentences – delivered in the clipped, "sound-byte" style that looks certain to dominate the Tory campaign.

The party must focus on the Government's achievements over the past decade: the economic success, the tax cuts, the education reforms, the extensions of individual choice and freedom. The vibrant 1980s must be contrasted over and again with the sagging and demoralised 1970s.

The second task is to "expose" Labour's policy review for what it is – a sham. Mr Neil Kinnock and his colleagues must be cast as socialists hiding under a centre-ground cloak. "Their conversion is skin deep, they still remain a socialist party, a left-wing party that would bring back all the failures of the past," he said.

With the centre parties now out of the game, the election will be a straight fight between "the successes of Thatcherism and the dismal failures of socialism."

Twelve or so hours earlier, Mr Baker has delivered the same message to hundreds of local activists at a series of rather grander occasions in the neighbouring safe seat of Skipton and Ripon.

Moving easily among the local Conservative dignitaries in the stately homes of Broughton Hall and Ripley Castle, he never once lets slip his confidence – nor the famous smile that completes his 1950s Hollywood good looks.

Every supporter is treated as the one person Mr Baker had always been waiting to meet. Each gets a promise that his or her particular worry or gripe will be transmitted speedily to Cabinet colleagues in London.

Kenneth Baker: taking a grim message back to Westminster

Among the working-class Tories of Batley or the Yorkshire aristocracy at Ripley Castle, the effect is the same. Smiles, applause and a warmish glow.

A distinguished matron in regulation grey suit, white blouse and strings of pearls confides that only Mr Michael Heseltine, his arch-rival for the future leadership, gets similar treatment.

An audience of 100 or so wining and dining amid the 16th-century splendour of Broughton Hall happily joins a new party game – repeating again and again that unemployment has fallen in Britain for 41 consecutive months.

The worries, however, do not disappear. Albeit with sugary politeness, Mr Baker is reminded constantly about the damaging impact on morale of high inflation and mortgage rates, the poll tax, and the ambulance dispute.

The poll tax, the subject of a seropis revolt by Conservative MPs just a few days earlier, is on everyone's mind. Many agree with the principle but few believe that the system due in April will work effectively.

Decent, presumably Tory, people in low-rated houses would see their bills double or treble, one activist complained, referring to the difficulties faced by her "daily" help. The Conservatives, she fears, will pay the price in the local elections due in May.

Mr Baker's soothing words – that the poll tax figures have been exaggerated, that it would be easy now to single out irresponsible Labour councils – are not enough, although no one is so impolite as to remind him that he came up with the whole idea when he was Environment Secretary.

On Saturday afternoon at a garish hotel on the outskirts of Bradford, the message at a gathering of some of the region's local Conservative councillors is rather more cheering.

Mr Eric Pickles, the leader of Bradford Council, is confident that the poll tax will not prevent the Tories from increasing their wafer-thin majority in the May elections. Others see plenty of scope to play "the loony-left card."

Mr Baker's keen political antennae, however, will not have missed the overall message of this latest trip. The Government's supporters are bruised rather than battered, but charm is not enough to sustain their morale indefinitely.

That, one can imagine him telling his colleagues this week, will need lower inflation, cuts in mortgage rates, more money to ease the impact of the poll tax, and a gentler touch in sensitive industrial disputes.

Closer ties with EC urged on Thatcher

By Philip Stephens, Political Editor

CONSERVATIVE supporters of closer European integration yesterday announced the establishment of a new group to press the Government for a more positive approach to the European Community.

The organisation - the Positive Europe Group (PEG) - is being set up ahead of what is expected to be a tense meeting on Wednesday between Mrs Margaret Thatcher and the party's representatives at the Strasbourg Parliament.

Mr Michael Welsh, the Tory MEP for Lancashire Central, has been named as chairman of the group, which called yesterday for a much clearer British commitment to European monetary union.

A memorandum circulated by PEG to all Conservative MPs, also urged the Government to take sterling into the European Monetary System's exchange-rate mechanism during 1990 and to adopt a more positive approach to the European Parliament.

It says that Britain now faces a "real choice" between playing a full part in "building a new, cohesive European entity", or allowing its 11 partners to "move ahead without us."

Mr Welsh added that: "It would be tragic if the Conservative Party risked throwing away the credit it deserves for having brought Britain into Europe and for having set the agenda in the EC's economic policy."

Wednesday's meeting between the Prime Minister and the MEPs is designed to ease some of the conflicts that followed the Government's defeat at the hand of the Labour Party during last year's European elections.

North-west is buoyant, says chambers of commerce survey

By Ian Hamilton Fazey, Northern Correspondent

NORTH-WEST England's economy, which accounts for about 11 per cent of the UK's gross domestic product, is showing unexpected buoyancy, in spite of lower national growth.

That is the main finding of the first combined quarterly economic survey of the region by 10 local chambers of commerce. The chambers usually report separately, presenting a sometimes patchy and confused picture.

The new survey covers more than 800 businesses and presents a much broader picture of the regional economy.

Nearly half the businesses reported fuller order books in the fourth quarter of 1989. Business was steady for a further 26 per cent.

Significantly, export activity in the Manchester area – the main driving force of the region – surged, with 40 per cent reporting more orders as opposed to only 19 per cent reporting a decline. A year ago, the two figures were reversed.

In the region as whole, only 18 per cent of manufacturers and 11 per cent of service companies shed labour, while 33 per cent and 43 per cent respectively took on more people. A third of manufacturers and 28 per cent of service employers say they will take on more staff this quarter.

The survey would appear to confirm a trend that emerged in Manchester chamber's survey of the third quarter of last year, that a substantial part of the north-western economy has become more capable of sustaining itself and is not so dependent on national or south-eastern trends.

The results are reflected in confidence levels, with only about 7 or 8 per cent of manufacturers and service companies saying that they are going to trim investment in plant or buildings. The bulk – between 61 and 71 per cent – are sticking to previous plans, with between 21 per cent and 32 per cent revising investment plans upwards.

However, concern remains over high interest rates and inflation, as well as recruitment of skilled, professional and managerial staff.

Liquidations blamed on interest rates

By Richard Waters

RISING INTEREST rates led to more business failures last year, according to figures published today by Dun & Bradstreet, the business information group.

During 1989, the number of business failures rose for the first time since 1984. However, at 18,163, the number of collapses was well down on its 1983 peak of 21,682.

The figures show that the number of company liquidations rose by 10 per cent over the previous year's level, to 10,197.

Bankruptcies among individuals, firms and partnerships grew by 9.3 per cent to a total of 7,966.

Confirmation of the growing occurrence of business failure follows recent warnings from insolvency practitioners, who have seen their workload grow as interest rates have started to bite, particularly among small companies.

London and the south-east experienced a growth of 16.8 per cent from the year before in the number of businesses going under.

At 8,135, just under half of the total number of failures occurred there.

The biggest increases in failure rate, however, were in the eastern region, which were up by 30.7 per cent, and Wales, up by 22.1 per cent.

None of the regions saw a fall in the number of business failures during 1989, although the West Midlands (where the number increased by 2.6 per cent) and south-west (3.4 per cent) were the least badly affected.

NEWS IN BRIEF

Reedpack buys into Continent

REEDPACK, the packaging, paper and office supplies group bought out by its management in 1988 for £608.6m, has made two small acquisitions in continental Europe, writes Maggie Urry. It did not disclose the price paid for either company.

Spicers, its office supplies subsidiary, has bought Papeterie de l'Ouest, a French office product wholesaler with turnover of about £14m.

The other purchase is of Mareen, a private Belgian packaging company with annual turnover of £8m.

Economic 'luck'

LUCK rather than genuine improvements in business performance lies behind the UK's apparent economic recovery, Dr Robb Wilmot, chairman of the Oasis consultancy and former managing director of International Computers (ICL), said in London, writes Alan Cane. That luck was about to end, he added.

While there had been real improvements in factory productivity through automation and innovations copied from Japan, there had been no comparable improvement in white-collar productivity.

Meyer defiant

SIR Anthony Meyer, the de-selected Conservative MP who challenged Mrs Thatcher for the party leadership last year, said yesterday he would resist the "many calls" for his immediate resignation and for him to stand as an independent Conservative.

Greens' cash crisis

THE Green Party has plunged into a "severe financial crisis" brought on by success at last year's European elections, its leaders said yesterday. The party is thought to face an estimated £30,000 deficit by March.

Economic squeeze affecting Wales

By Anthony Moreton, Welsh Correspondent

THE SQUEEZE on the British economy which has largely bypassed Wales now appears to be having an effect on the principality.

The latest issue of Welsh Economic Review comments that the rate of business failures increased by 10 per cent in the first half of last year compared with the same period 12 months earlier and the number of company liquidations went up by 40 per cent in the period.

"More significantly," the report states, "the rate of failures in Wales was considerably above that for the rest of the country." It also expects any fall in consumer spending to have an effect on the Welsh economy, which contains companies such as Hoover and Hotpoint.

Wales has managed to buck much of the downturn in the national economy because of the strong flow of inward investment into the principality. However, unemployment figures published this week, after the Review went to press, show that the number of jobless rose in December for the first time for almost four years.

Although the number was not particularly significant, it does indicate that the long boom might be coming to an end. Reports from the banks indicate that companies are now taking longer over their investment decisions.

Welsh Economic Review, published by the Cardiff Business School with the support of the Institute of Welsh Affairs, also shows that Wales continues to nurture new businesses.

In 1988, the latest year for which figures are available, Wales was fourth out of the 11 UK regions for new company formation. In the first half of the 1980s it had been eighth.

Welsh Economic Review. From Cardiff Business School, Column Drive, Cardiff CF1 3EU. £50 annual subscription.

Inflation is higher for low-paid, unit says

By Alan Pike, Social Affairs Correspondent

INFLATION FOR the low-paid is running at 8.5 per cent, not the official level of 7.7 per cent, according to an alternative Low Paid Price Index.

The index – produced by the Low Pay Unit and the National Union of Civil and Public Servants – is directly comparable with the official index, which was published on Friday and showed inflation at 7.7 per cent for the second successive month.

The Low Paid Price Index shows that the cost of food, housing and other necessities has risen in comparison with other goods.

It says prices of some meats have risen by up to 17 per cent, potatoes by 16 per cent, butter by 13 per cent and milk by 10 per cent over the past year.

Rent, rates and water charges, according to the alternative index, have gone up by 10 per cent or more, while the rise in mortgage interest rates has caused hardship for many low-income households.

By comparison, items such as telephones, electrical goods and hi-fi equipment – which are more likely to be available to wealthier households – have shown little increase in price over the year, while motoring costs have fallen.

● The Government's Social Fund will today face a High Court challenge from the Child Poverty Action Group and Sheffield Law Centre.

The two organisations will seek a judicial review of the fund, which is intended to give assistance to people living on Department of Social Security income support. They will argue that it does not give proper consideration to people's needs.

Poverty organisations have been critical of the fund ever since it replaced the old system of special grants for people dependent on social security benefits nearly two years ago.

The fund is intended to help social security claimants to meet basic, urgent needs such as the purchase of furniture. Unlike the grant-based system, most money from the fund is paid as loans which are repayable out of social security benefits. It is also cash-limited and that, say critics, can lead to local social security offices making conflicting decisions in identical circumstances.

Survey identifies language needs

By Lisa Wood

THE ABILITY to speak a foreign language is one of the skill needs that will affect the future performance of British industry, according to a survey by KPMG Peat Marwick McLintock, the management consultancy.

The UK-wide survey called Skills Shortages was based on interviews with 210 employees in 104 companies.

It identifies three key issues in combating skill shortages: foreign language learning, flexible working hours and better child care.

For two of those - foreign language learning and flexible working hours - companies felt they had reasonably well established policies and were relatively well prepared.

However, employees of the same companies felt that they were much less well prepared. That was also reflected in conflicting answers to questions on other issues, particularly child care.

Almost 30 per cent of employees felt that their company should provide financial help with child care. None of the companies agreed.

● Most companies are doing nothing to counter the worsening shortage of skilled workers, according to a survey published today

The findings were contained in a survey of the salaries and conditions of 9,000 secretaries employed by 345 London companies.

In 1989, secretarial pay increases dropped back to just over 11 per cent, compared with almost 17 per cent over the previous year.

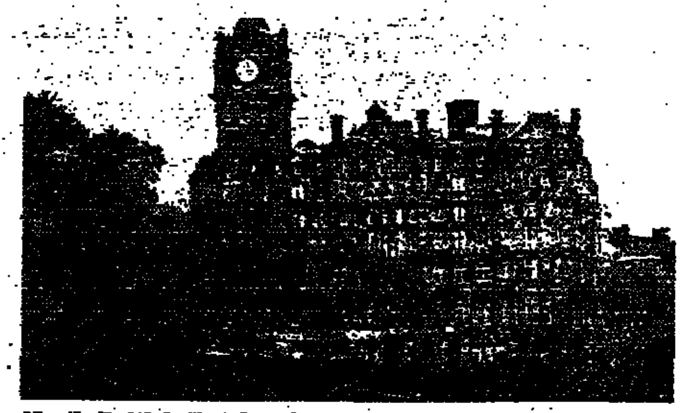
The survey, by recruitment consultants Gordon Yates, also asked the companies what steps they had taken to combat the reducing pool of skilled labour caused by population trends.

More than half the respondents – 56 per cent – said: "None." Only 2 per cent were considering company creche facilities to attract mothers back to paid employment.

UK NEWS

Lodging a bid to capture the traveller

Hotel groups are fighting hard to meet the upturn in business, writes David Churchill



North British Hotel: subject of a takeover attempt

THOUSANDS of people will have paid £50 a head and more over the weekend to enjoy the scenic delights around Britain's luxury country house hotels.

Weekend breaks in luxury country house hotels are among the fastest growing areas of the UK hotel industry, which ended the 1980s with considerably more optimism than it started the decade. Only a few years ago, UK hotels were perceived as a poor investment with sluggish growth prospects.

Now, however, hotel operators are struggling to find sufficient sites and staff to meet the anticipated demand in the 1990s. The International Hotel and Catering Exhibition, which opens at London's Olympia today, reports a record number of exhibitors – more than 1,000 – with more than 60,000 trade visitors expected from all over the world.

The struggle for sites is typified by the bitter boardroom battle being fought for control of Norfolk Capital, which operates 16 luxury hotels throughout the UK, such as the North British Hotel in Edinburgh and the Royal Crescent in Bath.

Mr Peter Tyrie, until last July managing director of the Mandarin Oriental Hotel Group, is seeking to oust Mr Peter Eyles, Norfolk Capital's managing director. Mr Tyrie's new hotel operation, Balmoral International, has taken a 13 per cent stake in Norfolk Capital at a cost of some £17m and is seeking to persuade other shareholders that Mr Tyrie and colleagues would form a more effective management team.

The fight, which comes to a head at an extraordinary general meeting of Norfolk's shareholders this month, shows just how keen hoteliers are to acquire up-market hotels in the UK.

The potential is also drawing in other entrants to the market: three former senior executives at Holiday Inn in the UK, for example, are expected to announce next week that they have secured £100m in backing for developing an up-market hotel chain throughout Britain.

Holiday Inn itself is seeking to expand in the UK, through its budget hotel chain called Garden Court. Other leading hotel groups, including Marriott, Hyatt and Hilton International have all targeted the UK as a growth market and are planning to build both budget and luxury hotels in Britain over the next few years.

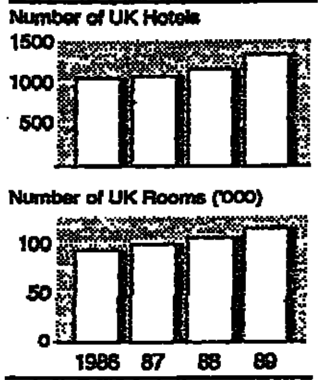
Hilton, for example, yesterday announced plans for a £36m hotel in the centre of Glasgow over the next two years.

Accor, of France, the largest hotel group in continental Europe, also believes that the UK offers significant growth and has plans for 80 UK hotels trading under the Ibis and Novotel brand names to be built over the first half of the decade.

They will be budget hotels – typically costing under £30 a night – which is where hoteliers see a clear market opportunity. British business and leisure travellers – and the record numbers of visitors to the UK – are seeking a higher standard of hotel accommodation at an affordable price.

Mr Paul Slattery, a hotels analyst with Kleinwort Benson, the stockbrokers, points out that much of the UK's existing hotel stock is in secondary locations and is old and poorly sited and has a long history of under-investment. "Quite simply, it is the Fawlty Towers end of the hotel industry," he said.

UK Hotels



The new generation of budget hotels – known in the hotel industry as lodges – have the capacity, for example, to accommodate parents and two children, with a private bathroom, colour television, and tea and coffee-making equipment for some £25 or so a night.

Hotel analysts see budget hotels as part of a increasing polarisation in the UK hotel business. Hotel operators, they believe, will be forced to concentrate developments not only at the budget end of the market but also on more luxurious hotels to meet the needs of business travellers and leisure travellers – especially the over-50s – who will have extra disposable income.

That inevitably will put most pressure on the mid-priced UK hotels – in the two, three, and four-star categories – which are neither cheap nor particularly luxurious. They also tend to be located more in town and city centres, when the trend in hotel location in recent years has been towards more out-of-town hotels.

But the biggest obstacle facing all hoteliers in the UK is simply finding enough staff to operate their hotels. Mr Norman Renshaw, market development manager of recruitment specialists Alfred Marks, says that "by 1995 the hotel and catering industry will require 50 per cent more staff than it currently employs – about one in every ten of the UK's workforce."

The shortage is acutely demonstrated in Southampton, where both Novotel and Hilton plan to open hotels this year. With a local unemployment rate of under 5 per cent and more than half of all young people in the area staying on for further education after reaching school-leaving age, hotels are struggling to find staff to train. Nationwide, there are about 120,000 vacancies in the industry.

Mr Malcolm Wood, marketing director of BAA Hotels, said: "There is a negative image associated with recruitment in the hotel and catering industries. We are trying to counter this by developing fresh means of retaining and motivating staff – it is the only way forward for the hotel industry as a whole."

Barrage seen as crucial for Cardiff Bay project

By Anthony Moreton, Welsh Correspondent

SUCCESS FOR the £1bn redevelopment of Cardiff's docklands hinges on winning support in Parliament for a barrage across the mouth of the bay, according to a report commissioned by Cardiff Bay Development Corporation.

A private bill sponsored by the corporation to authorise the £115m barrage is working its way through Parliament.

It has passed through the Lords and is now being considered by a Commons select committee after receiving its second reading before Christmas.

The report, which is to be presented to the committee, says, "Without the barrage, the incentives for the development of much of the area would be diminished."

Opposition from outside interests, such as the Royal Society for the Protection of Birds, is still being mounted. British Gas withdrew its opposition last week.

The corporation was set up in 1986 to redevelop 2,700 acres of the Welsh capital's decaying docklands, the largest urban redevelopment project in Europe after London's 8,000-acre project.

The project would create an enclosed water area of some 800 acres and allow some three miles of waterside to be developed.

Competition among food retailers will increase, report says

By Maggie Urry

FOOD retailers face a period of even tougher competition, with the £36bn market not expanding fast enough to support the expansionary aspirations of the market leaders, a report from Verdict Research, the retail consultancy firm, argues.

However, a price war between supermarkets, like that seen in the late 1970s, is unlikely, Verdict says. Only two groups could win such a war – J. Sainsbury and Tesco, the two largest chains – and neither would want to start one. Instead, the focus of competition will be on quality rather than price.

Increased margins during the 1980s have partly been achieved through a greater emphasis on higher-margin products such as fresh foods, and through investment in larger stores, which are more profitable to run.

The ranking of the five leading food retailers has changed during the last year, after the takeover of Gateway and the sale of 61 of its superstores to Asda. Sainsbury, with an estimated 15.8 per cent of the market, and Tesco with 15.0 per cent, have remained in the first and second place. Argyll, which owns Safeway, has moved up to third place with 11.0 per cent, Asda has 10.5 per cent and Gateway is in fifth place with 6.2 per cent.

During the 1980s the leaders have gained market share by taking from weaker participants, as well as through acquisitions, Verdict says. In the 1990s, as the powerful groups have a greater proportion of the market, it will be harder to take additional market share.

Further, other groups, such as Marks and Spencer, have announced expansions of their UK food operations.

Verdict on Grocers and Supermarkets. Verdict Research, 112 High Holborn, London WC1V 6JS. £495

Newcastle recycling scheme

SOME 2,000 households in Newcastle upon Tyne will take part in a scheme to recycle throw away plastic bottles. The four-week project, believed to be the first such in Britain, will try to re-use the waste material that has proved one of the hardest to dispose of.

The project is a joint venture between the local authority and detergent makers Procter & Gamble, which has headquarters in the city. It follows research by Procter into recycling dense polythene by sandwiching it between fresh plastic to make new bottles.

APPOINTMENTS

N.G. Bailey managing director

■ Mr Brian Cooper is to join the board of THE N.G. BAILEY ORGANISATION on February 12 and will succeed Mr Noel Bailey as managing director of N.G. Bailey & Co. Mr Cooper was group managing director of the Coalite Group. Mr Bailey retires at the end of April, but will remain a director of the Organisation, becoming chairman during the year.

ELLIS + EVERARD CHEMICALS has appointed Mr Ray Duffin as managing director. He was sales director at Sheffield Insulations, and succeeds Mr John Philpotts who has become managing director of Ellis and Everard's European operations.

■ HYMAN has appointed Mr Brian Jansen as works director of Halifax-based subsidiaries Ryburn Foam and Ryburn International.

■ PUNTER SOUTHALL KERR & CO, consulting actuaries, has elected Mr Stuart Southall as senior partner. His post as partnership secretary will be taken over by Mr Peter Kerr.

■ Mr Peter Rawlins has been appointed a non-executive director of LLOYD-ROBERTS & GILKES, underwriting agents at Lloyd's. He is chief executive of the International Stock Exchange.

■ A consortium of investors has bought 25% of RYCOTE PROPERTY GROUP, Aylesbury, from Mr Rupert Lawrence, the founder, who remains managing director. Joining the board will be Mr Trevor Bedford, former chief executive of The Hongkong Land Group, as chairman; Mr Ian McLeish, chairman and managing director of Kerr, McLeish, as financial director; and Mr Michael Sandberg, as a non-executive director representing Hong Kong interests.

■ Mr Carl van Leeuwen has been appointed managing director of UNITED TRANSPORT TANKCONTAINERS.

■ THE GOODING GROUP has appointed Mr Rene Faber as group managing director. He was managing director of Van Leer (UK), subsidiary of a Dutch company.

■ Mr Cameron Craig has been appointed chairman, and Mr John Scarrow managing director of SOIL MECHANICS, a John Mowlem & Co subsidiary. Mr D.L. Poppy, a non-executive director, has retired, and will be replaced by Mr John Gains.

■ SHOTTON PAPER COMPANY, a wholly-owned subsidiary of United Paper Mills, has promoted Mr Christopher Robinson from financial controller and company secretary to finance director.

■ Cooker maker STOVES has appointed Mr Jim Bates as finance director. He was vice president, General Electric Technical Services Co, London-based subsidiary of the US company.

■ PICKWICK GROUP has appointed Mr John Cummings as finance director. He was chief financial executive and company secretary, and is succeeded as company secretary by Mr Jonathan Lees.

■ JOHN MOWLEM AND COMPANY has appointed Mr Colin Graidage to the boards of Mowlem Construction Company (East Africa), Mowlem (Pakistan) and Mowlem (Uganda).

■ Mr Roger Cadbury has joined WHITWORTHS HOLDINGS as group managing director. He was previously managing director of General Foods. Mr Bob Shortland becomes company secretary.

■ Mr Hugh Scurfield has been elected president of the INSTITUTE OF ACTUARIES in succession to Mr Roger Corley and will take up office on June 25. He is general manager and actuary of Norwich Union Insurance Group.

■ GE CAPITAL CORPORATE FINANCE GROUP has appointed Mr Edouard Altenhoven as director. He will have specific responsibility for spearheading expansion into the German market. He was previously with Deutsche Bank, where he was executive director in charge of corporate finance.

■ HOGG ROBINSON & GARDNER MOUNTAIN has appointed Mr T.C. Boles, Mr J. Gordon, Mr D.L.P. Kelly, Mr D. Martin and Mr J.E.R. Wauchope to the board of Gardner Mountain Capel-Cure Agencies.

■ SINGER AND FRIEDLANDER has appointed its first board director in the South West. He is Mr Peter Burditt, who is based in the Bristol office.

■ PHILIPS FINANCE SERVICES, part of the Philips Electronics Group, has appointed Mr David Denton as manager, asset finance division. He previously held a senior management post within the leasing activities of Forward Trust Group, part of the Midland Bank.

More appointments on page 10

PUBLICATION JUDICIAIRE

La 17ème chambre du Tribunal de Grande Instance de Paris, par jugement en date du 12 juillet 1989, a déclaré Monsieur Claude PERDRIEL, directeur de la publication du journal LE NOUVEL OBSERVATEUR, coupable de diffamation publique envers un agent chargé de l'autorité publique, Monsieur Alain BOUBLIL. Elle a déclaré Monsieur Jean-Jacques CHIQUELIN, journaliste, coupable de complicité de ce délit, faits prévus et réprimés par les articles 23, 29 alinéa 1, 31, 42 et suivants de la loi du 29 juillet 1881.

Elle a condamné Messieurs Claude PERDRIEL et Jean-Jacques CHIQUELIN à la peine de QUATRE MILLE FRANCS d'amende chacun.

Elle les a condamnés solidairement à payer à Monsieur Alain BOUBLIL la somme de DIX MILLE FRANCS à titre de dommages intérêts et celle de QUATRE MILLE FRANCS au titre de l'article 475-1 du Code de procédure pénale.

Pour extrait, Maître Thierry LEVY, Avocat à la Cour.

CONSTRUCTION CONTRACTS

£70m City of London offices

HIGGS AND HILL MANAGEMENT has won a contract worth £70m for the construction of an office building for Beaver House at 67 Upper Thames Street, London EC4.

The building, which is to be known as Bull Wharf, will create six storeys of office accommodation above road level, while parking, storage and mechanical engineering plant will be located on three to five levels below ground.

The reinforced concrete framed structure will be clad in granite and curtain walling and will have a central atrium.

Internally, the building will have raised floors, suspended ceilings, 11 lifts and will be totally air conditioned. The gross floor area will be 400,000 sq ft.

Extensive work on its riverside frontage will include the installation of terracing and strengthening of the river wall.

Design architect for the project is Crang and Boake Inc of Toronto and executive architect is Covell Matthews Wheatley. Consulting engineer for the structure is Bylander Waddell Partnership in association with MS Yolles and Partners of Toronto, and for the services Rybka Smith Ginsler and Battle.

Salford Quays project

LAING NORTH WEST has landed a £31m design and construct contract as part of Charter developments' Exchange Quay project in Salford Quays. The contract is for the south side of the 7.2 acre site and includes two office towers, a pavilion office building plus a shopping mall and car parks beneath the offices. Completion is scheduled for August 1991.

Road scheme

A contract to build the Catthorpe interchange section of the Ml/Al Link Road has been awarded to TARMAC. The contract, the fifth of eleven contracts on the Ml/Al link road to be let, is worth about £3m.

The contract includes the provision of a junction between the link road and both the Ml (Junction 19) and the M6 motorways in Leicestershire. Construction will consist of north facing slip roads to and from the Ml and west facing slip roads to and from the M6. There will also be alterations to the B5414, including the provision of two roundabouts.

Major shopping centre for Sutton

BALFOUR BEATTY BUILDING has been awarded a £69.3m contract by the Sutton St. Nicholas Partnership for the construction of a major shopping centre development in Sutton, Surrey. This follows on from the enabling works contract awarded to Balfour Beatty last summer.

The three to six storey St Nicholas Centre will provide a combination of department stores, individual shops and malls and is due for completion in April 1992. The total gross floor area will exceed 50,000 sq metres. The centre will be constructed of a concrete frame on piled foundations over a basement service area.

A six storey car park is to be built on an adjacent site to provide 731 car spaces together with ground floor shop units with a gross floor area of over 25,000 sq metres. The car park will be linked to the centre by means of a two tier bridge.

Sutton St. Nicholas is a joint venture between Cannon Assurance, Maybrook Properties and P&O Properties. The development is being funded by Norwich Union which will take the head leasehold interest on completion of the scheme. The freehold will be retained by the London Borough of Sutton. Balfour Beatty is a BICC company.

Supplying Channel Tunnel services

A Channel Tunnel design contract worth around £2m has been awarded to H AND G ENGINEERING - the UK process engineering and management contractor - by Transmanche-Link (TML) for permanent tunnel pipework.

The contract calls for the provision of detailed design and procurement management services in connection with three main pipework systems serving the tunnel:

1) Drainage system - removal of drainage water involving a total pipe run of about 100km.

2) Firefighting system - involving a total pipe run of about 100km.

3) Tunnel cooling system - involving a total pipe run of about 200km.

A feature of the project is the 'fast track' commitment which involves completion of the design phase in five months and a procurement and quality assurance programme extending over 17 months.

H and G Engineering is part of the engineering and construction division of Enserch Corporation, a diversified energy, engineering and construction company.

APPOINTMENTS

Castrol senior posts

Following the retirement of Mr V.W. Good, director-eastern hemisphere, CASTROL has made the following appointments: Mr M.B. Dearden has been appointed director-southern hemisphere; Dr G.D.T. Owen has become director-Asia; Mr T.R. Crane, president and chief executive of Castrol Inc USA, is named director-North America with additional responsibility for Canada; Dr B.J. Ridgewell succeeds Dr Owen as development director.

Mr R.N. Young has been appointed to the board of Burmah Speciality Chemicals as chief executive coatings division. He has also assumed responsibility for the adhesives division.

■ At THOMAS LOCKER (HOLDINGS) Mr James Percy Barker has been appointed a non-executive director. He is a partner of Slater Heelis, solicitors.

■ Mr Clement Wheeler has been appointed to the board of TOWN & COUNTRY BUILDING SOCIETY. He is a partner of St Quintin, a London-based firm of chartered surveyors.

■ BWD RENSBURG, part of the BWD Securities Group, has made Mr Jonathan Clark an associate director in its Leeds-based corporate finance division.

■ COLLINDA has appointed Mr B.J. Turley as managing director of Collinda International. Mr D.F. Waugh is chairman and Mr I.P. Evans and Mr M.J. Moss have joined the board.

■ At H & T Components Mr Maurice Clynes has been appointed director and general manager. Mr Ray Carter has become engineering director and Mr Kevin Hancox sales director.

■ Industrial packaging specialist ARMOUR BARPAK has appointed Mr John Roffrey as director of marketing, technical services.

■ Mr Vincent Byrne has been made managing director of KIER BUILDING and Mr Trevor Howard a director of KIER MANAGEMENT.

■ Mr Peter W. Walton has been appointed group finance director of EQUITY & GENERAL, replacing Mr Richard D.W. Banks who is leaving the group. Mr Walton was group finance director of Perry Group.

■ HELICAL BAR has appointed Mr Gerard R. Kinally to its main board as director responsible for corporate development. He was previously managing director of Wates Building Group Properties and group finance director of Wates Building Group.

■ Mr Ian R. Stewart has become an additional director at MITIE GROUP.

■ Mr Terry Backham has been appointed managing director of LONDON ARTID PLASTICS, Slough-based BTR subsidiary.

■ Mr Philip Reid, a board director, has been elected chief executive of WINDSOR, Lloyd's broking and financial services group.

■ Mr Alan Rudge has been appointed managing director of WILSON (CONNOLLY) PROPERTIES, wholly-owned subsidiary of Wilson (Connolly) Holdings. He joined the group from Barclay Securities in May 1978 and was appointed a director of the property company in 1984.

■ Mr G.H. Moody-Stuart has joined the board of BOOKERS SUGAR CO as a non-executive director. He is corporate affairs director of Booker Tate, a director of Mumias Sugar Co in Kenya and a director of Pelwatte Sugar Co in Sri Lanka. Mr Colin Campbell has retired as an executive in the Booker Group, but continues as a non-executive director of Bookers Sugar Co.

LEX SERVICE has appointed Mr Jon Walden *(above)* as managing director from February 1 of Lex Vehicle Leasing, which is jointly owned with Lombard North Central. He is assistant managing director of another subsidiary, Volvo Concessionaires. Mr Stephen Dixon, managing director of Lex Vehicle Leasing, becomes managing director of Volvo Concessionaires. He succeeds the present chief executive Mr Philip Payze who leaves the company at the end of March to become head of a new European marketing company for Volvo cars being set up by Volvo Car Corp in Brussels.

■ Mr Keith M Taylor has been appointed non-executive chairman of SEAL TECHNOLOGY SYSTEMS, Cardiff-based supplier of components to the motor and other industries. Seal was a management buy-out in 1988 from Aeroquip Corporation.

■ Mr Nicky Branch, chairman and chief executive of Renaissance Holdings, has been appointed non-executive chairman of CASKET. He replaces Lord Barnett who is to resign. Mr Joe Smith becomes chief executive in succession to Mr Vy Menon, who continues as managing director, concentrating on the textile interests. Mr Smith was finance director of Norton Opax. Mr Neil Balfour, chairman and chief executive of York Trust, has joined the board as a non-executive director.

■ BAIN CLARKSON FINANCIAL SERVICES has appointed Mr David King as UK marketing director, employee benefits.

■ At STANTON, subsidiary of Saint-Gobain, Mr Geoffrey Nicholls, chief executive, becomes chairman, and adds a number of other responsibilities including chairman of Stanton Bonna Concrete. Mr Daniel Rolland, Mr Nicholls' deputy, is promoted to chief executive.

■ Mr Geoff Slater, former managing director of Wimpey Construction UK, has become a non-executive director of BROADWAY CONSTRUCTION.

■ Mr John Kemp has joined HINTON HILL AND PHILIPPS as managing director.

■ NOTTINGHAM IMPERIAL BUILDING SOCIETY has elected Mr Richard Bonnello as chairman. He has been deputy chairman since 1982 and succeeds Mr C.W. Westlake who has retired. Mr A.J. Hamilton becomes deputy chairman.

CONTRACTS & TENDERS

WANDSWORTH BOROUGH COUNCIL

Maintenance of boiler equipment in the London Borough of Wandsworth

Heating and ventilating contractors (particularly with experience of housing district heathing systems) wishing to tender for general and specialised maintenance works to 104 district boiler houses, ancillary plantrooms, cold water booster plants and roof top extract fan units as well as individual breakdowns in approximately 9,500 Corporation housing dwellings served from district and central heating systems should submit names to the Chief Executive and District of Administration, Room 111, The Town Hall, Wandsworth High Street, London, SW18 2PU by March 1990 quoting reference No. DH/56.

Selected contractors will be invited to tender on a fixed price basis for a two year contract period to maintain all items as stated above and these prices shall include a guarantee of workmanship and thereby cover all 24-hour emergency callouts.

All applicants must provide the following information:-

(a) The full name of the company wishing to be considered to tender.
(b) Details of labour force, plant, and technical and supervisory staff available.
(c) Names and addresses of three technical referees able to provide details of their technical competence.
(d) Details of recent work of a similar nature, particularly that for public organisations.
(e) A copy of their certified accounts for the last two financial years together with the name and address of their Bankers.
(f) That may possess insurance cover under Public Liability up to a limit of £1,000,000
(g) A copy of their Construction Industry Tax Deduction Certificate.
(h) That they can demonstrate the capacity to provide a computerised system for monitoring and recording all service items and breakdowns.
(i) That they can demonstrate knowledge and experience in combustion, electronic's and electrical fault finding, including the understanding and operation of computerised boilerhouse management systems.
(j) A copy of the Company's policy statement in accordance with the Health and Safety at Work Act 1974.

It is anticipated that tenders will be invited from selected contractors at the end of April 1990.

(Applications should refer only to the above-mentioned scheme and must not incorporate replies to other advertisements placed by Wandsworth Borough Council. Late applications will not be considered).

The Engineering Services will be carried out under the direction of Mr. R.J. Sheppard F.R.I.C.S., F.I.H., Director of Housing, Town Hall, Wandsworth, SW18 4AF.

G K. Jones
Chief Executive and Director of Administration

COMPANY NOTICES

BRAZILIAN EQUITY HOLDINGS S.A.

Registered Office: LUXEMBORG, 19 Rue Theodore Eberhard
Notice of Annual General Meeting of Shareholders

The annual general meeting of shareholders will be held at 19 Rue Theodore Eberhard, at Luxembourg on 5 February 1990 at 12 noon for the purpose of considering and voting upon the following matters:

1. To hear and accept the reports of:
   (a) the directors;
   (b) the commissaires
2. To approve the balance sheet and the profit and loss account for the financial year ended 30 September 1989.
3. To discharge the directors and the commissaires with respect to their performance of duties during the financial year ended 30 September 1989.
4. To approve the payment of the directors' fees for the respective year.
5. To elect the directors to serve until the next annual general meeting of shareholders.
6. To elect the commissaires to serve until the next annual general meeting of shareholders.
7. Any other business.

The shareholders are advised that no quorum for the annual general meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part in the general meeting of shareholders of 5 February 1990, the owners of bearer shares are required to deposit their shares three business days before the meeting at the registered office of the company or with Banque Generale du Luxembourg, S.A., 27 Avenue Monterey, Luxembourg.

Bearer or registered shareholders should lodge their proxies with the company three business days before the meeting.

THE BOARD OF DIRECTORS

LEGAL NOTICES

Petition - Cairn Energy Plc for Confirmation of Reduction of Share Premium Account

In the above Petition, an Interlocutor was pronounced by the Court of Session on 15th December 1989 in the following terms:-

The Lords having heard counsel for the Petitioner and considered the Petition along with the report by D S Williamson, Solicitor, Edinburgh, number 27 of Process, direct that the provisions of section 136(3) 2(6) of the Companies Act 1985 shall not apply as regards the Creditors of the Company or any class of them: confirm the reduction of share premium account resolved upon by the special resolution of the Company dated 6th December 1988 and set forth in the Petition; direct the registration of this order by the Registrar of Companies and on said order being so registered order notice thereof to be given by advertisement once in the Edinburgh Gazette, and once in each of the Scotsman and Financial Times newspapers.

"Donal M Ross IPD"

Of which intimation is hereby given.

Shepherd & Wedderburn WS
17 Charlotte Square
Edinburgh
Agent for Petitioner

LOMBURY LEISURE LIMITED

Registered number: 2332543
Former company name: Argain Limited
Trading name: Merthyr Ski Centre
Nature of business: Ski Centre
Trade classification: Leisure Industry
Date of appointment receivers: 29 December 1989
Name of person appointing the joint administrative receivers: National Westminster Bank Plc
JOSEPH PATRICK CONSIDINE and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 058 and 141) Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

RENTALS

DIARY DATES

PARLIAMENTARY

Today

Commons: Social Security Bill, Second Reading.
Lords: Criminal Justice (International Co-operation) Bill, Committee Stage. Question to Government on the Scottish Agricultural College.

Select Committee: Public Accounts - Subject, The NHS and Independent Hospitals. Witness: D K Nichol, NHS Management Board (Room 16, 4.30 pm)

Tomorrow

Commons: Debate on the Autumn Statement. Motion on Code of Practice for Trade Union Ballots for Industrial Action.
Lords: Courts and Legal Services Bill, Committee. Motions on the Co-operative Development Agency Order, the European Communities (Privileges of the European School) Order and the European Communities (Definition of Treaties) (European School) Order

Committee on Private Bill - Kings Cross Railways (Grand Committee Room, Westminster Hall, 10.30 am)

Wednesday

Commons: Opposition Debate entitled "Failure of the Government's Schools Policies" followed by Opposition Debate entitled "The Problems and Needs of Disabled People". Motion on Welsh Revenue Support Grant Reports.
Lords: Debate on the Deteriorating State of London Traffic, followed by debate on Hong Kong. Question to Government on Future of the Probation Service.

Select Committees: Welsh Affairs - subject: Toxic Waste Disposal. Witnesses: Representatives from Welsh Health Authorities and the Department of the Environment (Room 8, 10.30 am)

Agriculture - subject, Fish Farming. Witnesses: Nature Conservancy Council, Countryside Commission, Countryside Commission for Scotland, Royal Society for the Protection of Birds, Marine Conservation Society, Worldwide Fund for Nature (Room 6, 10.45 am)
Trade and Industry - subject, Company Investigations. Witnesses: Serious Fraud Office, The Stock Exchange Insider Dealing Group (Room 15, 10.45 am)

Defence - subject, Physical Security of Military Installations. Witnesses: MoD officials (Room 16, 10.50 am)

Employment - subject, Tourism. Witnesses: Department of Employment officials, and the National Trust (Room 20, 4.15 pm)

Social Services - subject, Community Care. Witnesses: Mrs Virginia Bottomley, MP, and Mr Roger Freeman, MP, Health Ministers, and Rt Hon Nicholas Scott MP, Minister of State for Social Security and the Disabled (Room 6, 4.15 pm)

Transport - subject, Aircraft Cabin Safety. Witness: CAA (Room 17, 4.15 pm)

Treasury and Civil Service - subject, International Debt Strategy. Witnesses: Sir Jeremy Morse, Chairman, Lloyds Bank, and Sir Kit McMahon, Chairman, Midland Bank (Room 8, 4.30 pm)

Procedure - subject, Working of the Select Committee System. Witness: Rt Hon Robert Sheldon, MP, (Room 21, 4 pm)

Public Accounts - subject, Quality Control of Roads and Bridges. Witness: Sir Alan Bailey, Department of Transport (Room 15, 5 pm)

Committee on Private Bill - Kings Cross Railways (Grand Committee Room, Westminster Hall, 10.30 am)

Thursday

Commons: Motion on Scottish Housing Support Grant Orders and Revenue Support Grant Reports. Motion on EC Document on Shipping and Dangerous Goods and on Merchant Shipping Regulations. Opposed Private Business at 7 pm
Lords: Courts and Legal Services Bill, Committee. Trade Union Act 1984 (Amendment) Bill, Report.

Committee on Private Bill - Kings Cross Railways (Grand Committee Room, Westminster Hall, 10.30 am)

Friday

Commons: Private Members Bills.

FINANCIAL

TODAY
COMPANY MEETINGS-
Archer (A.J.), City Conference Centre, 76 Mark Lane, E.C., 10.30
Cosait, Brown, Shipley & Co., Lothbury, E.C., 12.00
BOARD MEETINGS-
Finals:
Aukett Assoc.
Baldwin
Pavilion Leisure
Interims:
Beales (John)
GT Japan Inv. Tst.
Heath (Samuel)
Merrivale-Swain
Westport
DIVIDEND & INTEREST PAYMENTS-
BAA 4.5p
Babcock International 1.2p
Bardsey 1p
CB Finance 11½% Nts 1990 5¼pc
Dawson International 2.9p
Exchequer 12% Stk 99/2002 6pc
Fenner (J.H.) 4.9p
Fine Art Developments 2.3p
Graig Shipping 2p
Do. "A" Non.V 2p
Holmes Protection Shs of Com Stk 1.2cts
Lucas Industries 18p
Osborne & Little 2p
Select Appointments 1.2p
Sweden (Kingdom of) 13.5% Ln Stk 2010 6¾pc
Texas Instruments Shs of Com Stk 18cts
Treasury 12¾% Ln 1992 6⅜pc
Do. 14% Stk 1996 7pc
Do. 11¾% Stk 2003/07 5⅞pc
Turnbull Scott 4.5p
Warringtons 1p
TOMORROW
COMPANY MEETINGS-
Bass, Barbican Centre, E.C., 12.00
Leeds Group, Post House, Bramhope, Leeds, 12.00
Whessoe, St. Ermins Hotel, Caxton Street, S.W., 12.00
BOARD MEETINGS-
Interims:
British Bloodstock Agency
Kingsgrange
Murray Smaller Markets Tst.
Richmond Oil & Gas
Saville Gordon
Scott Pickford
Wood (John D.)
DIVIDEND & INTEREST PAYMENTS-
Allen 1.6p
Lewis (John) 10½% Bds 2014 5¼pc
Marston, Thompson & Evershed 1.11p
Rothmans International 6.2p
Venture Plant 2p
Vosper Thornycroft 3.125p
WEDNESDAY JANUARY 24
COMPANY MEETINGS-
Crystalate Holdings, Glaziers Hall, 9 Montague Place, S.E., 12.00
Gleeson (M.J.), Haredon House, London Road, Cheam, 12.00
BOARD MEETINGS-
Finals:
Camford Eng.
Chrysalis Grp.
Co. of Designers
Continental Assets Tst.
Gestetner
Shell Oil
Interims:
Assoc. Nursing Services
Electron House
Flogas
Highland Electronics
Hiclare
Lebowa Platinum Mines
Newman Tonks
Property Security Inv. Tst.
Rustenburg Platinum Hldgs.
Wentworth Intl.
DIVIDEND & INTEREST PAYMENTS-
Bristol & West Building Society Fltg Rate Nts 1992 £192.19
CLF Yeoman 2.5p
Cosalt 6p
FKI 2p
Genfinance NV Fltg Rate Nts 1994 $456.8
Gleeson (M.J.) 6.9p
Hydro-Quebec Fltg Rate Nts Sers 2002 $447.22
Leeds Group 5.8p
Lloyds Bank Sers "A" VarRate Subord Nts 1998 £384.38
National Australia Bank 35cts
Rexmore 0.7p
THURSDAY JANUARY 25
COMPANY MEETINGS-
Airtours, Stanneylands Hotel, Wilmslow, Cheshire, 11.30
Chemring, Alchem Works, Fratton Trading Estate, Portsmouth, 2.30
Dundee & London Inv. Tst., Royal Exchange, Dundee, 12.00
Fairline Boats, Peterborough Moat House, 12.00
Ranks Hovis McDougall, Royal Lancaster Hotel, W., 12.00
Scottish Inv. Tst., 6 Albyn Place, Edinburgh, 11.00
Trafalgar House, Chartered Accountants Hall, Moorgate Place, E.C., 11.30
BOARD MEETINGS-
Finals:
Derby Tst.
Hill & Smith
Kershaw (A.)
Lonrho
Rank Org.
Warner Estate Hldgs.
Interims:
Daejan Hldgs.
Ferepak
Fitch Lovell
McKay Securities
Mays
Newmark (Louis)
Park Food Grp.
Raglan Property Tst.
DIVIDEND & INTEREST PAYMENTS-
Asprey 1.1p
BSS 5.75p
Bank of Montreal Fltg Rate Debs Sers 1998 $452.97
Bankers Trust New York Corp 88.25cts
Bremner 1p
Caledonia Investments 4p
Campbell & Armstrong 1.65p
Carr's Milling Industries 5.75p
General Electric Shs of Com Stk 47cts
Hewden-Stuart 10% Cnv Uns Ln Stk 5pc
Manufacturers Hanover Corp 0.82cts
Northern American Trust 5.5p
Panama (Rep of) Fltg Rate Ser Nts 1991 $154.36
Rolfe & Nolan Computer Services 3.2p
State Bank Of Victoria Gtd Fltg Rate Nts 1996 $444.03
TSB Gilt Fund Ptg Red Prf 1p
Treasury 12% Stk 1995 6pc
Do. 13¼% Stk 2000/03 6⅞pc
Westpac Banking Corp $A 1(Lon Reg) 27.5cts
FRIDAY JANUARY 26
COMPANY MEETINGS-
Sidlaw, Nethergate Centre, Dundee, 12.00
BOARD MEETINGS-
Finals:
Greenfriars Inv.
Heavitree Brewery
Tranwood
Whitegate Leisure
Interims:
Cassidy Brothers
Dyson (J & J)
Hidong Estate
Real Time Control
DIVIDEND & INTEREST PAYMENTS-
BPB Industries 4p
Blenheim Exhibitions 9p
Blyvooruitzicht Gold Mining 1.21066p
Century Oils 1.75p
Chemring 16.25p
Dundee & London Investment Trust 7.1p
Fairline Boats 12p
General Motors Accept Corp Canada 10¾% Nts 94 5⅜pc
Greycoat 2.3p
Melville Street Investments 1p
Ranks Hovis McDougall 8.92p
Renold 1.2p
Rowlinson Securities 0.24p
Russell (Alexander) 0.54p
Stirling 0.5p
Treasury 7¾% Ln 2012/15 3⅞pc
Verson International 0.21p
SUNDAY JANUARY 28
DIVIDEND & INTEREST PAYMENTS-
Australian (Commonwealth of) 13.5% Ln Stk 2010 6¾pc

Trade fairs and exhibitions: UK

January 22-27
International Hotel and Catering Exhibition - HOTELYMPIA (01 948 9900)
Olympia

January 23-25
Enterprise Exhibition (01-642 7688)
Barbican, London

January 27-31
British International Toy and Hobby Fair (01-701 7127)
Earls Court

January 30-February 1
Construction Industry Computer Exhibition (01-251 5885)
Barbican

February 4-8
International Spring fair (01-855 9201)
NEC, Birmingham

February 7-9
Undersea Defence Technology Conference and Exhibition (0892 44027)
Novotel, London

February 7-11
Scottish Boat, Caravan, Camping and Leisure Show (041-221 1769)
Exhb and Conf Centre, Glasgow

February 13-15
Corporate Computer Security '90 International Exhibition and Conference (0733 60535)
Novotel, Hammersmith

February 13-15
The Property Business + Enterprise 3 (01-834 1717)
Barbican, London

February 20-22
London Food Exhibition (01-486 1951)
Wembley Centre

February 20-22
Business Communications Exhibition - NATIONAL CONNECT (0652 650505)
G-Mex Centre, Manchester

February 25-27
Menswear Fair - MABNORTH (01-437 8754)
Harrogate

February 28-March1
Northern Wine and Spirit Trade Fair (01-637 2400)
G-Mex Centre, Manchester

Overseas exhibitions

January 26-27
19th International European Coin Convention Fair (061) 686 20 20
Basle

February 8-14
International Toy and Hobby Fair (01-930 7251)
Nuremberg

February 9-18
International Boat Show (01-486 1951)
Helsinki

February 18-21
International Confectionary, Chocolate, Biscuit and Pastry Exhibition - INTERSUC (01-225 5566)
Paris

February 22-25
International Sports Equipment & Fashion Trade Fair - ISPO SPRING (01-940 4625)
Munich

March 11-17
International Spring Fair (0375 392222)
Leipzig

Business and management conferences

January 22
Profex: The United Kingdom property insolvency conference (01-950 0400)
The London Marriott Hotel

January 22-23
Financial Times: Creating a Euro-workforce in the 90s (01-925 2323)
Hotel Inter-Continental, London

IBC: Global emerging stock markets - the potential for the 1990s (01-637 4383)
Portman Inter-Continental Hotel, London

January 23
Joint CB/British Gas Conf: Tunisia - Future prospects for the UK (01-379 7400)
CBI Centre Point, London

January 25
Hawksmere: 1992 - Opportunities and pitfalls for the European insurance industry (01-824 8257)
Scandic Crown Hotel, Brussels

January 31-February 1
Concorde Services: Broadcast Europe 1990 - 4th annual satllite television marketing conference (01-743 3106)
Inn on the Park, London

February 7
BCB Conference: Disaster relief and mitigation (01-222 3651)
QEII Conference Centre, London

February 8
The Economist: Managing service: the key to total customer satisfaction (01-976 6565)
Marriott Hotel, London

February 12-13
Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323)
Singapore

February 13-14
National Materials Handling Centre: Warehouse & distribution software conference - technology for profit (0234 750323)
Ramada Inn, West London

February 15
Design for Europe conference (01-228 8034)
QEII Conf Centre, London

February 16
CBI Conferences: Legislation behind the Social Charter (01-379 7400)
Centre Point, London

February 19
Technology Forum: Risk assessment techniques and fire safety (01-519 4105)
London Tara Hotel

February 20
Information for Energy Group: Oil price information (01-636 1004)
Institute of Petroleum, London

February 22
PCTS: ESOPs, share schemes, and performance related pay for executives and employees (01-284 0470)
Cafe Royal, London

Feberuary 22
Tolley: International tax planning conference (01-680 5682)
London Press Centre

February 22-23
Acquisitions Monthly and Bankers Trust Company: Acquiring in Europe (01-828 8740)
London Marriott Hotel

February 28-March 1
Finanacial Times Conference: Cable television and satellite broadcasting (01-925 2323)
Hotel Inter-Continental, London

March 5
Financial Times Conferences: The London Motor Conference-Manufacturing, Components and the Aftermarket (01-925 2125)
Royal Lancaster Hotel, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

THE LONDON MOTOR CONFERENCE
5 March, 1990 - London

The Financial Times London Motor Conference, to be chaired by Dr John Wormald, Principal, Booz.Allen & Hamilton International (UK) Ltd is the sixth in this successful series. Timed to coincide with the Autopartac '90 Exhibition, distinguished figures from the industry will discuss the challenges facing vehicle and components manufacturers, suppliers, distributors and retailers as the Single European Market approaches.

The keynote address will be given by Louis E Lataif, President, Ford of Europe Incorporated. Dr-Ing Hansjörg Manger, Member of the Board of Management, Robert Bosch GmbH; Osamu Iida, Managing Director of Honda Motor Europe Ltd; Professor Dr Walter Kunerth, Group Director - Automotive Systems Group, Siemens AG; Tom Farmer, Chairman and Chief Executive of Kwik-Fit Holdings PLC; Richard Martin, Chief Executive of Mann Egerton & Company Ltd and Peter J Edge, Director of Partco Group Ltd are among the speakers taking part.

THE EUROPEAN WATER INDUSTRY
26 & 27 March, 1990 - London

The European water industry is set for a decade of controversy and change as the environmental lobby and the European Commission seek to tighten standards and improve quality. This conference will provide an important opportunity to examine the crucial decisions and challenges facing the industry in Europe, the environmental issues involved in water supply and in improving pollution control.

Speakers include: The Rt Hon Christopher Patten, MP, Secretary of State for the Environment, Martin Grüner, Parliamentary State Secretary, Federal Ministry for the Environment, Nature Conservation & Nuclear Reactor Safety, The Rt Hon The Lord Crickhowell, Chairman of the National Rivers Authority, Christine Morin-Postel, Senior Vice President of Corporate Development and International Operations, Lyonnaise des Eaux, Roy Watts, CBE, Chairman of Thames Water plc and Michael Swallow, Director of the Water Companies' Association.

WORLD PHARMACEUTICALS CONFERENCE
26 & 27 March, 1990 - London

This topical two-day conference, arranged in association with Coopers & Lybrand Deloitte, will focus on research, development and marketing and assess the rapid changes facing the international pharmaceuticals business in the next decade, at a time when the industry has seen a number of mergers and business alliances. The steadily rising costs of research, the need to identify corporate R & D strategies to maximise capital returns and the challenges of new product development will also be debated.

Sir Paul Girolami of Glaxo Holdings will deliver the keynote address and other speakers include: John F Chappell, SmithKline Beecham; Professor Dr Jürgen Drews, F Hoffman-La Roche; Igor Landau, Rhône-Poulenc Santé; Dr Andrew G Bodnar, The Squibb Institute for Medical Research; Professor Trevor Jones, The Wellcome Foundation; Professor Walter P von Wartburg, CIBA-GEIGY AG and Robert Hankin, Commission of the European Communities.

All enquiries should be addressed to:
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

LEGAL COLUMN

The route to reform of the Bills of Lading Act

By Robert Rice, Legal Correspondent

LAST SUMMER the Law Commission produced a working paper on rights to goods in bulk, which highlighted the difficulties faced by international commodity traders in obtaining title or property in goods forming part of bulk cargoes in order to sue carriers of goods damaged or lost in transit.

Under the present law, which is governed by the 1855 Bills of Lading Act, the buyer of a bulk cargo can sue the carrier, but only if ownership of the goods passes to the buyer at the same time as the transfer of the bill of lading.

That causes difficulties. Sale-of-goods legislation prevents property in goods from passing before the goods have been identified, which in the case of bulk goods means that property will not pass at the earliest before the goods have been discharged at port – which is frequently after the transfer of the bill of lading.

The commission proposed two solutions, the first of which was to amend the sale-of-goods legislation so that parties could contract to pass title in goods before they have been identified. The second was to amend the Bills of Lading Act, either to allow buyers to succeed to the shipper's rights and liabilities in respect of the carrier where property in the goods would have passed to the buyer but for the fact that the goods formed part of a larger bulk; or to remove all references to the passing of property in goods as a prerequisite for acquisition of contractual rights and liabilities by the buyer.

After a period of consultation with traders, the shipping industry and the legal profession, it has become clear that the scope of the commission's proposed reform is too narrow and that there are much wider and arguably more serious difficulties with the Bills of Lading Act, which stretch beyond bulk cargoes.

At a seminar held by the commission in London last week to try to identify the correct approach to reform, it became clear that the biggest snag with the current law arose where property in the goods either did not pass at all, or passed independently of the transfer of the bill of lading, and thus the transfer of the bill played no part in the transfer of the property.

That arose recently in two important Court of Appeal decisions, *The Delfini* and *The Aramis*.

In *The Delfini* the bills of lading arrived at the port of discharge 11 days after completion of the delivery so that they were in no way instrumental in transferring title in the goods.

The case has important implications where there are long chains of sales contracts and comparatively short sea voyages.

It is also a particularly good example of the unsatisfactory results that follow from linking in law the acquisition of contractual rights to the passing of property.

Apart from the fact that the buyer, who in due course received a document of title, could not sue the carrier, there was no consensus in the Court of Appeal on when property in the goods passed.

Respondents to the working paper clearly felt that assignment of title provided no real solution. Apart from the fact that the buyer is left at the mercy of the seller, who may or may not choose to co-operate in assigning his rights, it is generally thought that many foreign sellers will be unwilling to change their standard sale terms simply to accommodate a defect in English law.

Over and above the two options for reform put forward in the commission's working paper, there are several other possible solutions on which it would welcome comments.

One solution would be to allow the transfer of contractual rights and liabilities to the buyer to whom the property was intended to pass under the underlying contract of sale. Another option would be to break the connections between the transfer of property and transfer of contractual rights and between the transfer of contractual rights and contractual liabilities in the Bills of Lading Act.

By far the most popular solution would be to remove all references to property in the relevant part of the act and instead make risk the determining factor, so that the person at risk of suffering the loss has the right to sue.

Since risk determines who suffers loss, it could be argued that it should also determine who can sue in respect of that loss.

The commission now has to determine the best solution for reform and decide how wide-ranging reform should be. Should the law be reformed to cover cases in which documents other than bills of lading are used? Should the reformed legislation cover documents such as sea waybills, ships' delivery orders and multimodal transport documents?

Whatever it decides, it is clear that English law is far from satisfactory in this area at the moment and that something must be done quickly to remedy the situation if England's international trading status is not to suffer.

★ ★ ★

The international expansion of law firms continues to gather speed. Lovell White Durrant is to open an office in Paris in May, Clyde & Co have opened offices in Sharjah and Dubai, and a Cheltenham firm, Wiggin and Co, has been issued with California's first ever licence for a UK solicitor to practise as a "foreign legal consultant" under the new State Bar Procedure.

Among the more intriguing recent announcements was that McKenna & Co is to develop its not insubstantial Asia practice in conjunction with one of Australia's leading commercial law firms, Morris Fletcher & Cross.

The joint venture between the two firms in the Asia-Pacific region is intriguing not only because it is the first agreement of its kind between a UK and an Australian firm, but because it is not immediately apparent why either firm needs the assistance of the other to build on the work it is each currently doing in the area.

McKenna's expansion into Asia began about 10 years ago. It now has three offices – in Hong Kong, Singapore and Tokyo – and has committed considerable resources to building a general commercial-corporate and construction-project practice in the area. The firm is closely involved in the building of the second cross-harbour tunnel in Hong Kong, for example.

Naturally, it wants to build on those foundations, but looking at the investment that it has to make elsewhere – new offices plus equipment and training of staff in the UK, expansion into Europe, particularly Eastern Europe – it soon became clear that it could not do all those things and expand in Asia too without overstretching itself.

It was at that stage, according to partner Mr John Bellhouse, that the firm began to think in terms of a loose joint-venture arrangement in the Asia region to give the firm a smaller slice of something bigger.

They chose an Australian firm because Asia is Australia's backyard and Australian law firms, although conscious of the enormous potential for work in the region, have in general been slow to do anything about it. The area boasts some of the fastest growing economies in the world, Mr Bellhouse says. Hong Kong, Indonesia and Malaysia are teeming with infrastructure projects.

The deal with Morris Fletcher has been two years in the making.

It will start with the placement of two Morris Fletcher partners in McKenna's Hong Kong offices and one associate in Singapore.

Where possible (local bar rules permitting), the firms will practise in Asia under the name McKenna Morris Fletcher. Further expansion will be project-based.

LEGAL APPOINTMENTS

LAW SOCIETIES ADMISSIONS JANUARY, 1990

ADAMSON, Mark Richard B.A Mr Nottingham
ALI, Kamila Nahar LL.B Miss Brighton, East Sussex
AVERY, Nicholas Brian LL.B Mr London
BELL, Christopher Lewis LL.B Mr Greenwich, London
BIGGART, James Duncan Mr London
BOYLE, Stephen Charles LL.B Mr London
BROWN, Laurence William B.A Mr Langford, Bedfordshire
BULLIMORE, Susan Ann B.A Miss Morden Surrey
BURKE, Alison Heather Jane Miss West Kensington, London
BURT, Timothy James LL.B Mr Bath, Avon
CAMPBELL, Raphael Martin B.A Mr Mapperley, Nottingham
CARRIGAN, Steven Cameron B.A Mr West Worthing, West Sussex
CHAN, Fiona Chun Yee B.Sc, LL.B Mrs London
CLARKE, Carole Elizabeth Ms London
CLINCH, Jane LL.B Mr London
CONINGHAM, Julian Paul Mr Bristol, Avon

CROWSOHN, Alison Dawn LL.B Mrs, Sherburn in Elmet, North Yorkshire
CUMMINGS, Terence Paul Mr, Saltash, Cornwall
CURLEY, Miles Hugh Clement Mr, London
DABBS, Elizabeth Louise Miss, Norwich, Norfolk
DAVIES, Susan Louise B.A. Ms, London
DEARLE, Marcus David Chadwick LL.B Mr, Norwich Norfolk
DENNY, Karen Louise LL.B Miss Harrow, Middlesex
DUDLEY, Kim Marie LL.B Miss London
DURRANI, Sabina Anjum Afroz B.A Miss London
DWYER, Dennis William Mr. Bermuda
EVANS, Carlton Peter Mr. London
FELSTEAD, Angela Gregory B.A Mrs. Lancaster, Lancs.
FENTON, Terence John LL.B Mr. Hull, N.Humber.
FERGUSON, Michael Craig Maxwell. Mr London.
FLEMING, Eileen Norah B.A Miss London.

FORREST, Chantal Benedicte Miss, London
GILLIGAN, Duane Gavin LL.B Mr, London
GLADSTONE, Hannah Jane Mrs, Preston, Lancashire
GOLD, Carol Ann Miss, Tunbridge Wells, Kent
GONZALEZ, Lucila Eugenia LL.B Miss, London
GORDON, Christine Ann B.A Miss, Ponteland, Newcastle Upon Tyne
GOSSELS, Alan Maynard B.A Mr, Arad, 80700, Israel
GREEN, Angela Mary Miss, Kelsall, Cheshire
HALL, Susan LL.B Miss, Hitchin, Hertfordshire
HAWORTH, James Edward
Solicitor Of The High Court of New Zealand Mr, Boston, Lincolnshire
HESELTINE, Philip John B.A Mr, Reading, Berkshire
HIRE, Sally Louise B.A Miss, London
HOBBS, Fiona LL.B Mrs, London
HOPLEY, Prudence Katie LL.B Miss, Cheshire
HOSKING, Rosemary Irene Miss, Hardwick, Cambridge
HUMBY, Karen Ms, Waddon, Croydon, Surrey
JONES, Philip Nigel Mr, Rotherham, South Yorkshire
KHURANA-MEHTA, Shabia LL.B Mrs, Purchet, Berkshire
LALL, Ashok Kumar B.A Mr, Kettering, Northants
LATHAM, Lesley Patricia Mrs, London
LEASK, Deborah Elizabeth LL.B Ms, London
MANNING, Patricia Anita LL.B Miss, Birmingham, West Midlands
MELLISH, Mark William B.A Mr, South Shields, Tyne & Wear
MIJAKOVAC, Aleksandra LL.B Miss, Leeds, West Riding Of Yorkshire
MOORE, Douglas Howard
Solicitor Of The Supreme Court of Ontario Mr, The Peak, Hong Kong
MOORE, Rebecca Frances LL.B Miss, Nottingham
ORGAN, Helen B.A Ms, London
OVENDEN, Simon Fraser Mr, London
OXLEY, Jacqueline Mrs, Kirklevington, Cleveland
PAINTER, Rachael Margaret Miss, London
PAPANICOLAOU, Andreas LL.B Mr, London
PATEL, Priti LL.B Mrs, London
PORTER, John Andrew Christian Mr, Manchester
POSTINS, Claire Jameson B.Sc Mrs, London
QASIM, Shabnam Naz B.A Miss, Bradford, West Yorkshire
RASMUSSEN, Axel Solicitor Of The Supreme Court of New South Wales Mr, Hong Kong
READMAN, Jane Catherine Mary LL.B Ms, London
SAIB, Kalvinder Kaur LL.B Miss, Oakwood, Derby
SAY, Julie-Ann Miss, London
SCHAFFER, Betsina Ruth LL.B Miss, London
SCHOFFIELD, Joanne Karen LL.B Miss, Bury, Greater Manchester
SHARMA, Ranjana B.A, LL.M Miss, London
SILVIO, Giuseppina Stefania LL.B Mrs, London
SMITH, Michael Justin LL.B Mr, Streatham, Surrey
SMITH, Sarah Jane Miss, London
SMITH, Vanessa Susan LL.B Miss, Rossendale, Lancashire
STEELE, Kevin James B.A Mr, London
STEVENS, Paul Raymonde LL.M Mr, Rainham, Essex
SWEENEY, Brendon Anthony LL.B Mr, Neath, West Glamorgan
THOMPSON, Robert Alfons LL.B Mr, South Gosforth, Newcastle Upon Tyne
TICKTUM Jeremy Paul LL.B Mr, London
TURPIE, Mark Elliott LL.B Mr, Yiewsley, Middlesex
VINAYAKUMAR, Nalady Pallambil B.Sc Mr, London
ZERBINO-WEBSTER, Jayne Michele LL.B Mrs, Newport, Gwent

APPOINTMENTS WANTED

LEGAL NOTICES

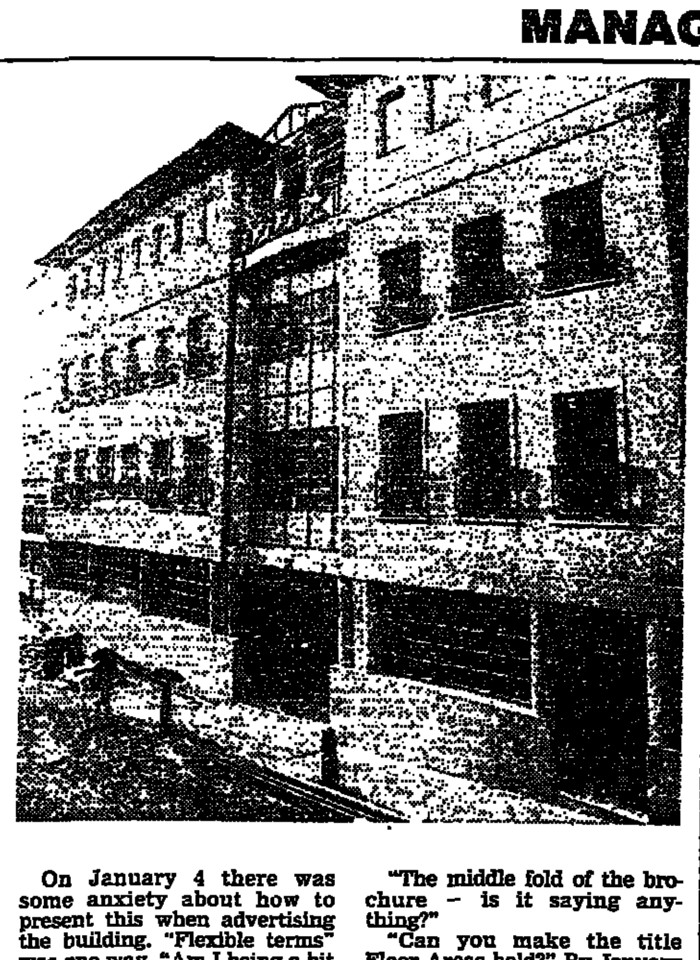
BAKER HIRE LIMITED

Registered number: 956738
Former Company name:-
W H Baker (Contract Hire)
Nature of business Retailing
Trade classification: Other retail - casual and contract hire of vehicles
Date of appointment of joint administrative receivers
8 January 1990
Name of person appointing the joint administrative receivers
Barclays Bank Plc
Joseph Patrick Considine and Christopher John Hughes Joint Administrative Receivers (office holder nos 066 and 141) of Cork Gully,
Churchill House,
Churchill Way
Cardiff
CF1 4XG

ART GALLERIES

Building up to a manageable contract

Paul Cheeseright follows the machinations involved in finding tenants for a property



Attaché cases were snapped open, papers spread on the boardroom table, coffee cups filled. The time: three in the afternoon of January 4. "We bought it 55 minutes ago," said Neil Webster of Reinhold, looking over his boardroom.

The "it" is 20 Bedfordbury, a five-storey office building in Covent Garden, part of London's West End.

This is the story of the search for tenants, the leasing of the building. How many chapters there will be, how long the leasing will take – these are questions to which there is no immediate answer.

The facts are, on the one hand, that the building is brand new, Reinhold, having bought it from the developers, Argent Estates, wants to lease it to a variety of tenants, floor-by-floor; and, on the other hand, the market is not what it was – no longer do potential occupants come knocking on the door begging for space.

The prologue of the story is the push by Swedish investors, freed from exchange controls, into the London property market. Reinhold – a Swedish company – has set up another called GLP (Greater London Properties), in which Enskilda Securities and a variety of Swedish private investors have stakes. GLP over the last year has bought five properties, of which 20 Bedfordbury is deemed the jewel in the crown.

Webster manages these properties. And he has a good deal at stake with 20 Bedfordbury. It cost £16.5m and the sooner he can lease it, the sooner the investors can start obtaining a return on their money.

His first job, then, was to find somebody to find the tenants. At this stage enter the chartered surveyors: de Morgan had been acting for Argent, Chesterton had introduced Reinhold to Bedfordbury in the first place. Both were asked to make presentations on how they would go about leasing the building. Satisfied, Webster looked no further and asked the two practices to work together.

For Chesterton and de Morgan, it was business worth having. Between them they receive the standard fee of 15 per cent of the first year's rent. As the building has a net area of 24,000 square feet and is going on to the leasing market at more than £50 a square foot, the two surveyors could split fees of over £180,000.

Each is putting two people on the job - Simon Garfield and Mark Pile for Chesterton, and Christopher Boardman and Mark Evans for de Morgan. A young team. When Webster sat down with the newly recruited team on January 4, all were under 35. He wanted them to be "fairly youthful", as he put it. "You need some zip for marketing."

What they are marketing is unusual in two respects. The Swedish investors want a variety of tenants. Any offer from one company to take the whole of 20 Bedfordbury would have to go to the GLP board. So GLP is preparing actively to manage the building. It will not be sitting back as the rent collector for one tenant.

On top of that, GLP is not following the standard route favoured by property-owning British institutions of seeking tenancies of 25 years with upwards-only rent reviews every five years. Chesterton and de Morgan will be offering 12-year leases with reviews every three years, but would be prepared to consider a lease of eight years with a review half way, a lease of six years with a review after three, or even a straight three year lease.

On January 4 there was some anxiety about how to present this when advertising the building. "Flexible terms" was one way. "Am I being a bit cynical in saying people will think flexible terms means that the market is going down?" asked Garfield. The chosen formula is flexible leasing.

If this distinguishes 20 Bedfordbury from some of its competitors, then the style of marketing seems strictly orthodox: the brochure, the newspaper advertisements, the mailing, the telephoning, and the reception held for other surveyors.

The reception marks the traditional launch of a marketing campaign for a building, designed to introduce it to other firms of surveyors so that, if they choose, they can alert their clients seeking space.

Oracle Advertising started work on the brochure before Christmas with the idea of having it available by January 19. Peter Godfrey of Oracle came in on the 4th with his drafts and designs. And on that occasion and in a subsequent meeting a week later, much of the talk was about the minutiae of the marketing tools.

Calculators came out to translate square feet to square metres for the listing of the floor sizes in the brochure and advertisements. "Should the figures be rounded up or down or neither?"

"The middle fold of the brochure – is it saying anything?"

"Can you make the title Floor Areas bold?" By January 10, Godfrey was still on track to meet his deadline of the 19th – an exercise costing around £15,000. He had been under pressure from the start. "I dangled him a carrot about another job," smiled Webster.

But by this time thoughts were running away from typographical niceties to the agents' boards outside the building, the reception, printing the invitations, debating the merits of a harpist – "I think we do it properly and go for the champagne."

The estimate for the food and drink at the reception, due to be held on January 25, from Gorgeous Gourmets was £3,918 but after that the work really starts. Chesterton and de Morgan have been trying to draw up lists of companies which need between 4500 and 5000 square feet of space, which might need to be in Covent Garden or might be induced to find it necessary to be there.

It is a district favoured by professional companies and one has started to nibble. St Quentin, another firm of surveyors, has on its books some commodity brokers looking for space. Could this be, Chesterton and de Morgan are asking, the first tenant?

Further articles will follow the next stages of negotiation.

Du Pont in Europe

Marketing higher value niches

Peter Marsh explains that the chemical group's restructuring is customer-led

David Williamson has a fresh, almost self-deprecating way of discussing how the managers he is in charge of should approach their jobs. He says that people in their position should not always take too much notice of the boss.

"Instead of looking at the guy at the top of the pyramid as the god that you've got to please, you've got to look at the customer and be mindful of what he wants."

An easy-going Scot, Williamson recently took over as head of the international division of Du Pont, the US chemical and energy giant. That puts him in charge of $4.3bn a year worth of chemicals sales in Europe, the Middle East and Africa – most of which comes from Western Europe.

Williamson, 53, who is a chemical engineer by training and joined Du Pont 26 years ago, is the first non-American to be in charge of Du Pont in Europe, where it has operated from a local rather than a US base since 1956.

Geneva-based, Williamson projects an outward-looking, market-oriented image which is in contrast to the stereotype of the Du Pont manager of the past – obsessed with company bureaucracy and with doing things "the Du Pont way". His selection fits in with the general changes taking place at Du Pont, the world's fifth biggest chemicals company with annual sales of $33bn, which appears to be trying to shake off several years of laggardly growth in an effort to get to grips with the challenge of the 1990s markets.

To some degree Williamson's priorities and thoughts fit in with those of many other top executives in the chemicals industry as a whole. The business went through a severe depression in the early 1980s but has climbed out unexpectedly well in the past five years.

The industry as a whole has done this by pruning back on older, commodity-type materials – which, helped by the capacity cutbacks and good demand, have seen hefty price rises in recent years – and also by emphasising relatively new, research-based products where attention to marketing is much more important.

Du Pont, both in Europe and elsewhere, has followed this trend more than most. It has cut down greatly in big selling commodity materials in fields such as bulk plastics while putting more emphasis on higher-value products in electronic materials, paints, engineering plastics and imaging and medical equipment.

These last areas, according to much of the received wisdom in the chemicals industry, are linked to higher growth niches of the world economy and are also less likely to be affected by any economic downturn of the kind that many in the sector reckon will hit home in the next five years.

Williamson, who has worked his way up largely through Du Pont's European operations in a variety of marketing jobs but also for the company in the US, says the strategy of targeting the higher value end of the industry has been working for Du Pont particularly well in Europe.

"Our growth rate in Europe has been running at 10 per cent a year, much higher than for Du Pont as a whole. There is no reason why we should not double our size (in Europe) over the next six or seven years to sales of about $9bn a year."

A key to the Du Pont approach in Europe, says Williamson, is an organisational structure which stresses the different customer segments to which products are sold rather than regional or product divisions.

For legal and taxation reasons, Du Pont has individual companies in different parts of Europe but to a large degree the company operates on a pan-European level. "We have been running along with the 1992 concept for some time," he says, "and so have many of our customers."

Taking different product groups, in areas such as polymers, fibres, agrochemicals and medical equipment, Du Pont has rearranged the management structure to link up individual businesses which have aspects in common in terms either of marketing or research operations. This has led to the creation of broad business groups which cover a variety of product areas. Thus there is a general automotive marketing group which involves representatives from product divisions concerned with fibres (used in products like car seats) and also with engineering plastics which can be used in body and engine components.


David Williamson: customers' health incredibly important

Something similar happens with an electronics marketing group which acts as a focus for a number of product areas, including chemicals for semiconductor fabrication and optical materials, on the needs of a specific group of customers. "We (at the centre of Du Pont) can't act simply as a holding company," says Williamson. "We have to get nearer to our customers and look at things from their point of view; their health is incredibly important to us."

Williamson says that as Du Pont has built up its European activities – starting from its first European head office, set up in Britain 33 years ago – it has followed the route of many multinationals by increasingly putting local people higher up the hierarchy. "In the early 1980s most of the senior staff at departmental level in our European organisation were European rather than American. You can view my appointment as part of this general evolution."

There is another factor at work, Williamson believes. This is to do with higher respect by American managers of European competence in management and business generally than was the case in the early 1980s. "Looking at the world from Du Pont's headquarters [in Wilmington, Delaware] I think I can detect an increased admiration and confidence in European capabilities compared with a few years go.

"There had been a considerable fear from the perspective of the American manager that European industry was really lagging behind. You don't find that any more. Americans now look at Europe and see centres for excellence in many areas. That is not necessarily just in the product areas that we sell in ourselves but in the fields related to Du Pont's customers – telecommunications, the automotive industry, engineering, printing for instance."

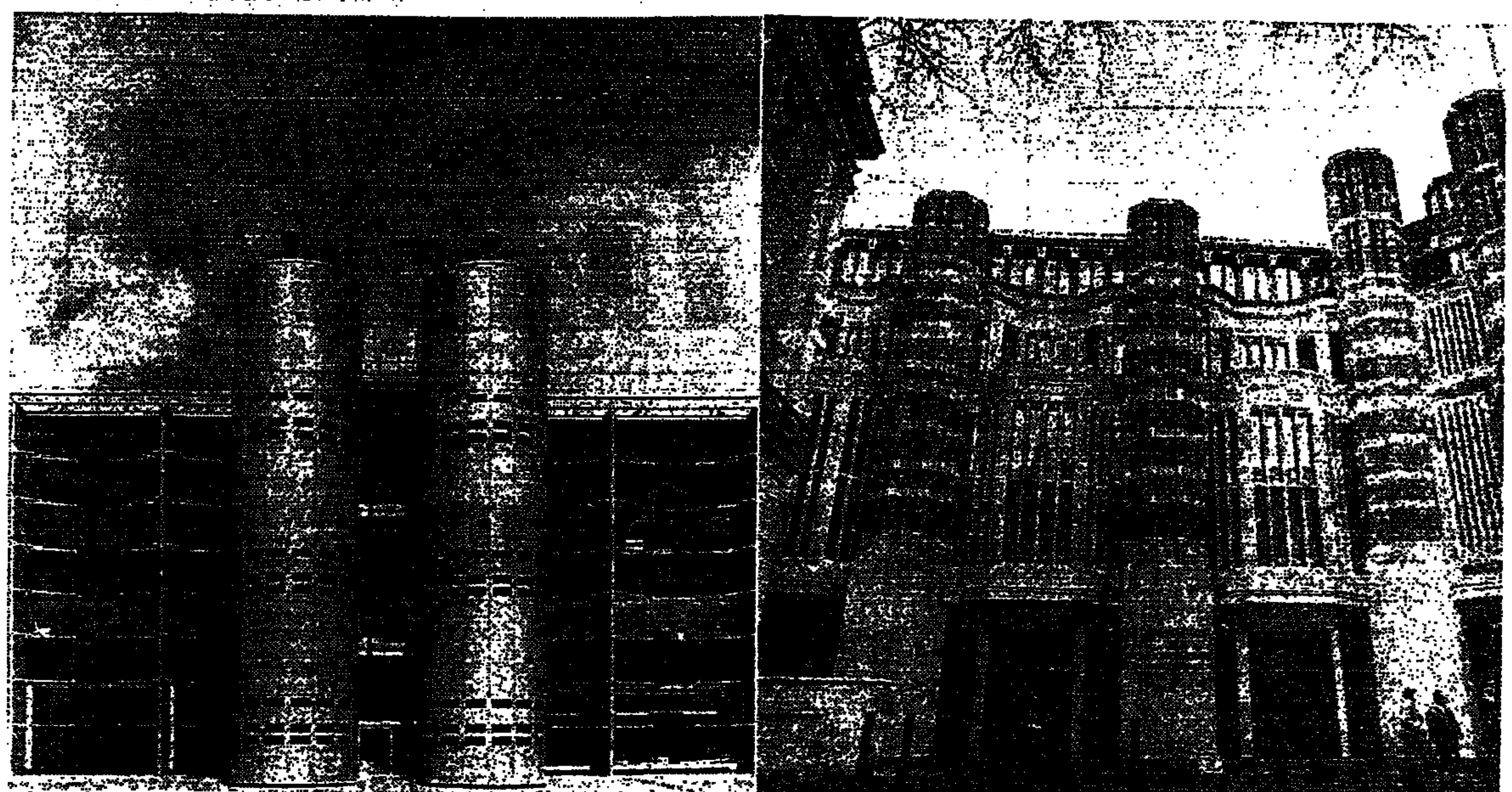
Besides moving closer to its customers, Williamson thinks that Du Pont – and much of the rest of the chemicals industry – will need to do much more to move closer to the public as a whole if it is to thrive over the next few years.

He stresses the need for better communications generally, especially in the field of environmental issues in which the chemicals sector has a generally extremely poor record.

"The chemical industry has a bad reputation with regard to the environment," Williamson admits. "Society has reacted, or perhaps over-reacted, negatively. In some ways we deserve it. Think of the incidents connected with the chemicals industry – Love Canal, Bhopal and so on – they are horrible words and we hate to use them."

Overall, however, he says the industry is badly understood. "For much of our reputation we have to blame ourselves as an industry. We haven't done enough to say how well we are doing economically and to talk about some of the good things we do. Take crop protection chemicals, for instance, or packaging. It's better to eat protected crops – even if it means spraying on chemicals – rather than rotting crops. It's better to ship products wrapped in plastic than to leave them unpackaged. We have to do better in communicating these things to people. Public concern about chemicals is often based on ignorance."

ARTS



There is room for more than one architectural style today: pristine towers at the FT's printing works in Docklands or reviving the shades of Whitehall's history at the new Department of Health

ARCHITECTURE

Buildings speak louder than words

The RIBA awards went for the soft option this year. **Colin Amery** reports

I thought for a moment I was back in the 1960s when I heard that this year the President of the Royal Institute of British Architects had given his special award to the Nelson Mandela Community Primary School designed by the Birmingham City Architects Department. Had there suddenly been a revival of public sector building? Had the old GLC architects department moved to the Midlands?

It is a new policy of the Royal Institute to single out one building from the 16 national RIBA award winners as "the building of the year." Presumably it is this building that will receive the most publicity and will highlight for the public the way that architects are thinking.

I am afraid that the President took the soft option. In a year when there were some serious and challenging good new buildings the RIBA thought it was safer to commend a building that only does what it should. I was fascinated to read that what jury thought was remarkable about the new school is "its total dedication to the needs of its users; the children of the neighbourhood, their parents and teachers." Surely that is the very least it should be.

The Nelson Mandela School looks as though it works well as a series of flexible spaces divided up by sliding screens and doors. It has a laminated timber roof structure and plenty of visible timber inside. It is clearly user-friendly and architecturally completely unremarkable. In the week when something called The Campaign for Architects is moving into a higher gear to persuade the public that architects are as loveable as teddy bears, the President's choice just seems sentimental and obvious.

The Campaign for Architecture has been running full page advertisements in a daily newspaper and presumably sees itself as an antidote to the debate about architecture which architects mistakenly see as a campaign against architects. I cannot for the life of me see what good a photograph of a tower block being blown up over the slogan "Faulty towers" can do to the profession. And what about this curiously ambiguous pair of statements? "As architects we have a professional responsibility to act in the best interests of our clients. Our recommendations must be impartial . . ."

Both the President's choice of an unexceptional little school and the confusing nature of the new advertising campaign do little for architecture. Good new buildings are the best form of public relations. Of the 16 regionally selected winners of this year's RIBA awards there are some excellent and elegant examples of the best of British architecture. It is worth listing them.

The conversion of the old Billingsgate Fish Market in the City of London into the headquarters of the American Bank, Citicorp by architect Richard Rogers is indeed stylishly done.

The architect has cleverly inserted mezzanine floors in a way that visually enhances the old market hall. As an example of the potential for reuse of older buildings in the City, Richard Rogers's work is outstanding. The worrying element is that this beautiful conversion has never been occupied by Citicorp. No one seems very willing to explain why.

Many awards have been given to the Courts of Justice in Truro designed by Eldred Evans and David Shalev. This was the winner of the Financial Times own Architecture Award last year, and it is interesting to observe that the judges for the RIBA also concentrate on the careful siting of the courts at the top of the town in such a way that they make a handsome contribution to the skyline.

Last week it was also announced that Evans and Shalev have been selected as the architects for a new art gallery in St. Ives, Cornwall to house the Tate Gallery's collection of the paintings of the St. Ives school. The architects clearly demonstrated their ability to design a gallery that will take the maximum advantage of the views that inspired the painters, and yet fit in to a tightly knit pattern of steep slopes and streets.

It was agreeable for this newspaper's own new printing works in London's Docklands designed by Nicholas Grimshaw to be given an RIBA award. the judges were full of praise for this striking building, which has become a landmark. "If ever evidence was needed that a single inspired architectural idea can produce many added dimensions to what could have been a purely functional solution, the Financial Times printing works must surely provide that evidence," said the judges' report.

The inclusion of the new Richmond House in Whitehall, designed for the Department of Health and Social Security by William Whitfield and the PSA, demonstrates just how catholic architectural tastes are. This brick and stone, towered and mullioned block by the Cenotaph is one of the most unusual new buildings in London. It seems to express in its design both the Victorian confidence of Norman Shaw's neighbouring Scotland Yard and by association evokes the presence of the old Tudor palace of Whitehall.

Michael Hopkins is clearly one of the best architects around and his much praised David Mellor Factory in the Derbyshire Peak National Park is rightly held up as a remarkably sensitive model for a small industrial building in the countryside. It is special, too, because although it is an entirely contemporary structure it is not ashamed to use natural and local materials.

Hopkins is also commended for his Solid State Logic research and development building near Oxford, a simple and pristine design.

James Stirling's adaptation of part of the Albert Dock into the Tate Gallery Liverpool is rightly praised for the care which the architect took to adapt the splendid dock warehouses into a gallery.

This year's award winners would add up to a very enjoyable and positive tour of new architecture in Britain. Things are encouragingly catholic and varied and reflect a pluralism from which many blooms may flower. Buildings speak louder than words and this year the President and the campaigners have seriously undersold the profession.

Bent

LYTTELTON THEATRE

Martin Sherman's *Bent* uncoiled and sprang on the world a decade ago. It combined the horrors of the Third Reich with a portrayal of homosexual life – not merely life but love; and showed that love triumphant.

The impact was enormous, as it was in the play's subsequent productions around the world. Last Friday's audience at the National was full of those who remembered the original for extra-theatrical reasons (they discovered they were not alone, they found dignity, they came out). The question remained: would the play live up to its symbolic status.

It opens unpromisingly. These gay (in both old and new senses) young denizens of prewar Berlin's demi-monde coming to after a binge conjure up nothing so much as a hungover morning after in Earl's Court. A partisan audience enjoys the campery, which makes the violent entrance of the black-uniformed SS seem uncomfortably like a continuation of the fantasy, not too far from the erotic iconography that some find stimulating. The spectacle of a young man having his throat cut on stage is tawdry grand guignol. And the immediate switch to a male transvestite huskily hymning the streets of Berlin plunges us into familiar cliché.

So far Sean Mathias' production fails to blend recognisably jokey camp with unimaginable nightmare. By the interval, after the captured Max has obligingly beaten his tortured male lover to order and proved his normality by embracing the warm corpse of a 13-year-old girl before the guards (monosyllabic monstrous robots), the mixture has, dramatically speaking, curdled rather than jelled.

In Dachau the production, and Michael Vale's semi-abstract set lit by Ben Ormerod, come into their own. A blood-red dado swirls above a landscape of Beckett-like blankness. When touched the electric fence crackles and sparks frighteningly. The pile of rocks to be constantly carried from one side of the stage to the other resonates with echoes of Ixion and purgatory.

Here the play too comes into its own as a study of the salvation of a soul. After doing a deal with the guards Max wears a yellow star instead of the despised pink triangle ("It's better to be a Jew than a queer in this place"). He is obsessed with survival, and even after wangling companionship with the homosexual Horst, he refuses to acknowledge the truth to the authorities.

The famous scene when the two men, standing to attention a yard apart and facing the audience, talk through, *sotto voce*, the act of love under the eyes of the guards, is more harrowing, erotic and moving than I remember from the first production – perhaps, paradoxically, because it is more lightened with humour. Ian McKellen, the first Max, then played opposite Tom Bell, a forceful actor with a strong personality, while now his colleague is Michael Cashman, less intrusive in style. The second – in retrospect overshadowed – scene of remote-control love, as it were, in which they imagine only holding, touching and protecting one another, is infinitely more powerful than I remember it.

McKellen is a generous actor in the Richardson rather than the Olivier mould. No mere technician, he bases his work on emotional integrity and personal commitment. Cashman is more passive, initially colourless, but this makes his hopeless, stooped assumption of a centuries-old burden, and the small act of rebellion that ends in death, all the more moving. A good supporting cast includes the inimitable Robert Eddison, the elegant elderly invert, Uncle Freddie, who, surreptitiously meeting his fugitive nephew on the run, intones such lines as "Do *something innocent* – feed the pigeons!" like Hermione Gingold crooning to the cello.

Martin Hoyle

Alastair Muir

Ian McKellen and Michael Cashman

Golgo

Royal Court

The third Howard Barker play to arrive in London in as many weeks is a short (for Barker, very short) piece which clarifies both the strengths and the weakenesses of this tantalising writer. Subtitled Sermons on Pain and Privilege, *Golgo* is structured around a brilliant elision of the last hours of the French nobility and the final agonies of Christ.

Cooped up in a room with the mob baying outside, the assembled aristocrats while away their time re-enacting the crucifixion. The one commoner of the play, a surly maidservant (Jane Bertish), moves from compulsive attempts to scrub all traces of her masters from the room to showering them with buckets-full of pages torn from library books, as the edifices of their privilege come tumbling down.

The point is not that the French Revolution is analogous with the death of Christ: on the contrary, it is viewed by Barker's characters as the apocalyptic sequel to it – the end of a dead culture still immersed in the formal structures of Christianity. None of the aristocrats can remember going to church, they have long lost touch with the capacity to believe or to love, but they cleave to its structures and its imagery as a form of self-aggrandisement, capable of protecting them against the future.

It is a very neat, very seductive scenario, which is realised with a vivid understatement in Nicholas Le Prevost's productions for the Leicester Haymarket and the Barkerite Wrestling School. However, once one has grasped the central concept – which always, with Barker's plays, creates a glow of intellectual satisfaction – it is hard to see any real progression. The interchanges that follow are variations on a single theme, which are given the illusion of significance by Barker's characteristic sententiousness (in the published play text, important lines are picked out in bold type).

One is left, as so often with the work of this playwright, basking in the language, the imagery and the enactment of it by a first class cast led with rangey intensity by Roger Frost's Whatto, self-appointed Christ, lunatic and executioner, but denied the satisfaction of a fully finished product.

Claire Armitstead

Royal Exchange new season

The Royal Exchange Theatre, Manchester, opens its season on February 8 with *A Winter's Tale*, which marks the debut of the company's artistic director Phyllida Lloyd.

The Crucible by Arthur Miller, will open in the main house on March 22, followed by Sheridan's *The School For Scandal* on May 10. *She's In Your Hands!*, a new adaptation and translation of Feydeau's *Occupe-toi d'Amelie*, will open on June 28. While *The Count of Monte Cristo* will open at the Palace Theatre, Manchester.

In Pursuit of the English

LYRIC STUDIO, HAMMERSMITH

It is post-war London where, like Muriel Spark's girls of slender means, "all the nice people were poor," where a visiting American like S.J. Perelman could note the freshness, hope and gaiety of the natives in their ruined city and compare them favourably with sullen, post-Occupation Paris in its plump cynicism. Doris Lessing, another recent arrival, found xenophobia, brutality, stupidity and tribal codes of honour – according to the novel that now takes the stage in an adaptation by yet another newcomer, the Canadian Katie Campbell.

The inaugural production by a new company, Cut and Thrust, promises well. Melanie Jessop's Doris, quizzical, bewildered, amused, arrives in a swirl of fog amidst a frieze of jitterbugging couples, an image not too far removed from one of the outer circles of Dante's hell.

The bustling opening suggests individuals each locked in Dickensian self-sufficiency; and there is a Dickensian ring to The Case that obsesses Doris' landlords.

These are Dan, a tough ex-serviceman, and Flo, garishly gregarious – and uxorious – in the sensual hen that Sheila Reid presents, miraculously dishing up rations with the flair of her Italian grandmother. The Case is directed at their sitting tenants, an old couple whom we never meet, subjected to Rachmanite tactics.

The family is completed by Flo's adolescent son (Ben Porter, desperately flexing non-existent muscles and hungrily eyeing the nearest girl). Present and incorrect are the pathological liar, con-man and sadist Bobby ("it occurred to me he was what they called a spiv," says Doris in the first-person narrative that is mixed in with the dialogue); the tart Miss Privet (Celia Imrie in a fox-fur stole) who sometimes passes for French as Preevay ("Oo la la, je t'aime, mon amour – easy isn't it?"); and shop assistant Rose.

The last is the most complex character in the play, and Pippa Guard beautifully expresses her prickliness, grudgingly kind heart, rough philosophy, painfully articulate intelligence and code of honour.

The play's strength is its observation of this society's taboos and rules – you never interfere in families, for instance, despite brutality and unfairness. The characters blossom from Dickensian types, in fact, into rounded beings. Even the savage Dan is allowed a certain justification, or at least explanation, in his bitter feeling of being passed over as an ex-fighting man.

The recent war is omnipresent: in the hopes for the "War Damage," expected to mend the damaged house (the man from the War Damage Office turns out to be an embryo Alf Garnett); in the bombed walls of Howard Burden's set; and in the nostalgia that even young Rose feels for the late conflict: "Then people *liked* each other. They don't now, do they? And that's the truth." And present in the sourness of being somehow cheated.

As Rose says, "newspapers are always saying how everything's changing. My mum worked all her life and I'm no better off than she was." And to Rose goes the last word. As the old couple are evicted, carted off to God knows where, Flo can afford to wax sentimental. "We should all be kind to one another" and the world would be a better place. "A likely story," says the girl suspiciously.

Matthew Francis directs a highly promising company debut.

Next in the season framing the war: Patrick Hamilton's *Hangover Square* adapted by Fidelis Morgan. There will be the usual complaints that British theatre is too word-bound, too literary; but it does do it rather well.

Martin Hoyle

ARTS GUIDE

January 19-25

MUSIC

London

Chilingirian Quartet opens Bohemian Festival. Haydn, Dvorak, Martinu (Tues). Wigmore Hall (935 2141).

Paris

Cecilia Gasdia recital (Mon) Salle Gaveau (45632030).
Gidon Kremer (violin) **Valery Afanassiev** (piano): Schubert (Tue) Salle Favart (48045418).
Ensemble Orchestral de Paris conducted by Emmanuel Krivine, Jean-Jacques Kantorow (violin): Lutoslawski, Mendelssohn, Haydn (Tue). Salle Pleyel (45638873).
Orchestre de Paris conducted by Semyon Bychkov, with Yo Yo Ma (cello). Tchaikovsky, Shostakovich (Wed, Thur). Salle Pleyel (45638873).
Orchestre Philharmonique de Radio France conducted by M Schoenwandt/M Dalberto. Delius, Grieg and Nielsen (Thur). Théâtre des Champs Elysées (47203637).

Brussels

Hugues Navez (guitar) plays Villa-Lobos, Bach, Giuliani, Sors, Tedesco (Thur). Royal Music Conservatory.
Hagen String Quartet plays Brahms, Mozart, Webern (Tues). Palais des Beaux-Arts.
Belgian National Orchestra conducted by Jean Baily with Augustin Leon Ara (violin) performs Chausson, Milband and Rossini. Royal Music Conservatory (Wed).

Frankfurt

Frankfurt's Radio Orchestra under Pinchas Zukerman, who also plays violin with works by Beethoven (Thurs). Alte Oper.

Cologne

Daniel Barenboim piano recital with works by Beethoven and Mozart (Thurs). Philharmonie.

Berlin

Berlin Philharmonic Orchestra, conducted by Seiji Ozawa. Brahms and Prokofiev (Tues, Wed). Philharmonie.

Amsterdam

Netherlands Philharmonic and Isabelle van Keulen (violin) conducted by Michael Halasz. Bartok, Mozart and Mendelssohn (Mon, Wed) Concertgebouw (718 345).
Guarneri Quartet. Haydn, Lutoslavski, Schumann (Thur). Concertgebouw (718 345).

Utrecht

Netherlands Philharmonic and Isabelle van Keulen (violin) conducted by Michael Halasz. Bartok, Mozart and Mendelssohn (Tue, Thur). Vredenburg (31 45 44).
Schonberg Ensemble, Hague Percussion Group and vocal soloists, Reinbert de Leeuw conducting. Andriessen, Reich (Wed). Vredenburg (31 45 44).

Madrid

Uto Ughi (violin), Elena Martecci (piano). Tartini, Bach, Schumann (Tues). Auditorio Nacional de Musica (337 01 00).
Jorg Demus (piano). Bach, Mozart, Beethoven, Schumann and Schubert (Thur). Auditorio Nacional de Musica (337 01 00).
Trio de Madrid. Haydn, Dvorak, Brahms (Thur). Auditorio Nacional de Musica (337 01 00).

Vienna

Austrian State Television and Radio Orchestra, conducted by Erwin Ortner. Brahms, Bruckner, Cerha, Ligeti, Schoenberg (Mon). Musikverein.
Wiener Schubert Trio. Mozart, Schumann. Musikverein (Tues).
Hans Kann (piano). Mozart. (Wed) Konzerthaus.
Haydn Trio. Schubert, Kreisler, Johann Strauss (Thur). Konzerthaus.

Milan

Maurizio Pollini (piano). Chopin, Berg, Schoenberg and Stravinsky (Mon). Teatro Alla Scala (80.91.26).

Venice

Maurizio Pollini (piano). Schumann and Chopin (Thur). Teatro la Fenice (5210161).

Rome

Ulf Schirmer conducting Strauss and Brahms, with Miriam Fried (violin) (until Tues). Auditorium in Via Della Conciliazione (6541044).
Samuel Ramey (bass) accompanied by John Fischer (Wed). Teatro Olimpico (393304).

New York

Philharmonia Orchestra conducted by Giuseppe Sinopoli with June Anderson (soprano). Berlioz, Mahler (Wed).
Illinois Chamber Orchestra. Beethoven, Schuller, Stravinsky (Thur). Carnegie Hall (247 7800).
New York Philharmonic. Erich Leinsdorf conducting. Liszt, Stravinsky, Poulenc, Offenbach (Thur). Avery Fisher Hall (874 6770).

Washington

National Symphony Orchestra. Mstislav Rostropovich conducting. Shostakovich, Albert (Tue); Mstislav Rostropovich conducting, Hakan Hardenberger (trumpet). Barber, Tamberg, Sallinen (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra, Sir Georg Solti conducting. Corigliano, Beethoven (Tue); Sir Georg Solti conducting. Bach programme (Thur). Orchestra Hall (435 6666).

Tokyo

Berlin Philharmonische Solisten. Bach, Beethoven, Mozart. Suntory Hall (Mon) (289 9999).
Classical Japanese Music. Koto, Shamisen. National Theatre, small hall (Tues) (265 7411).
Yomiuri Nippon Symphony Orchestra, conducted by Ken Takaseki. Berlioz, Lalo, Dvorak. Suntory Hall (Wed) (270 6191).
Shinsei Nihon Symphony Orchestra, conducted by Shigeo Genda, with Shinobu Satoh (soprano). Ravel, J. Strauss. Suntory Hall (Thur) (985 4836).

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Bleak battle against drugs

WHEN PRESIDENT Bush announced his war against the illegal drugs trade and narcotics abuse last year even his most enthusiastic supporters recognised it would be a long haul. The enormity of the task is now apparent. There is little to encourage the view that even in the long term the existing strategies will prove effective.

The most encouraging development has been the tightening of legislation in the main consuming countries directly attacking the traffickers' profits. As a result it is becoming increasingly difficult to insulate their huge assets against seizure by the courts or rely upon bank secrecy and offshore financial centres to protect "narco-dollars."

More generally, international awareness of the scope of the problems caused by the drugs trade has finally begun to sink home, over and beyond what is happening in the US itself. The plight of the Colombian state, under virtual siege from the drug barons, has underlined the extent to which a country can be held to ransom by a mafia. Almost 80 nations have now signed the 1988 United Nations Convention on Narcotics, the most comprehensive international framework to date for multilateral co-operation. Although too many of the countries in the front line of the fight against drugs are torn between bilateral and multilateral initiatives, the level of co-operation has improved. This has been reflected in the sharp increase in the quantities of drugs seized.

One jump ahead

Yet while drug seizures last year reached unprecedented proportions, the supply of narcotics was little affected and street prices were unchanged in the main markets. As the latest annual report of the UN's Narcotics Control Board states so bleakly, drug production, particularly cocaine and opium, was greater than ever. The traffickers remain one jump ahead in their ability to diversify sources of production and alter supply routes. Crop eradication programmes continue to be hampered by the political sensitivities to external interference, the inability to provide adequate alternative incomes for peasant farmers and, most recently, by fears of ecological damage. At the consumer end, meanwhile, the amount of casual drug taking appears to be declining in the US; yet there is no corresponding drop in general drug abuse or drug-related violence.

Costly confrontation

Although the greatest quantities of illicit drugs come from South-East Asia's Golden Triangle and from Pakistan/Afghanistan, the political benchmark for success focuses on the curbing of the Andean cocaine trade, specifically in Colombia, the main laboratory. There the Barco government, with less than six months left in office, is at the limits of its ability to continue a costly confrontation with the cocaine cartels. Influential voices in the church and among the Colombian political parties are calling for a dialogue with the cartels. Such a move would completely undermine the credibility of President Bush's anti-drug campaign. However, it is hard to see how the intensity of the anti-drug campaign in the Andean producers can be sustained against the kind of lengthy timetable necessary for reducing demand in the US and elsewhere.

The logic of the international community's attack on the two ends of demand and supply is to follow it through, until it either succeeds or is manifestly proven to be inadequate. Until now, its protagonists could still claim that the approach has not been fairly tested, because of the modest resources devoted to co-operation, interdiction, crop substitution and anti-drug education.

Little time is left, perhaps not much more than a year, to demonstrate the validity of existing policies. As it is, the curbing of drugs — one of the major political and social issues for the new decade — promises to be an impossible challenge. If so, this will open wide the fraught debate on the alternative of decriminalisation, which at the moment so alarms governments, politicians and international institutions like the UN.

The fear of recession

WILL THE UK have a recession? There is much anxious attention to this question, but it is not really the point, or at least it is only a part of it. The more fundamental issue is whether there needs to be a recession. The answer is, unhappily, quite simple. If the Government wishes to get the long-term rate of inflation in the economy back down to around 4 per cent, let alone to rates consistent with membership of the European Monetary System at a stable exchange rate, something close to a recession is inevitable.

This is true, even though pay performance has, in some respects, been surprisingly good. Over a little more than three years the underlying rate of growth of earnings has risen by some 1¼ percentage points. Yet over the same period the seasonally adjusted rate of unemployment has almost halved, falling from a peak of 11.2 per cent to 5.8 per cent in December 1989. The reforms of the trade unions, coupled with the lingering effect of the 1979-81 recession, appear to have had enduring and valuable effects on wage behaviour.

Some important qualifications need to be made to this optimistic perspective. In the first place, a part of the rise in average earnings between 1986 and the end of 1988 was explained by the growth of overtime. In 1989, however, overtime tended to decline, thus eliminating what was a relatively benign source of earnings growth from the point of view of underlying costs.

Upward drift

In the second place, the level of settlements is continuing to rise. According to Incomes Data Services, pay settlements are bunching at between 7½ and 10 per cent in January 1990, 1 to 3 percentage points higher than a year ago. With the rejection by Ford workers of an offer of 10.2 per cent for the first year of their deal, followed by 8 per cent in the second, settlements are likely to continue their upward drift for some time to come.

From this point of view, the fact that unemployment fell by a seasonally adjusted 17,000 in the month to 14 December 1989 is little help. The rate of decline in unemployment is diminishing, but it is still in the wrong direction if inflation is to be lowered once more. Last but not least, the spiral started at far too high a level. Before their increase of the past three years, average earnings in the UK were already rising at around 7-8 per cent a year, roughly double the rate in other major developed countries.

Unit costs rise

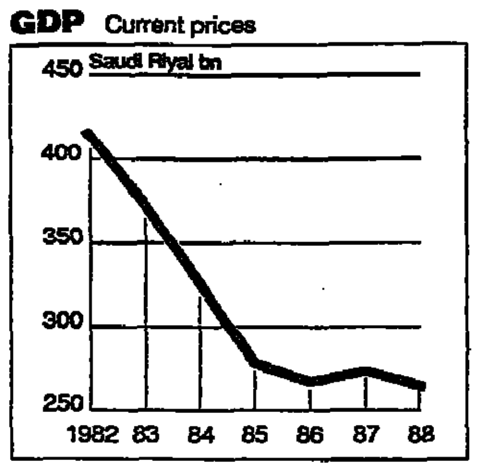
When the economy was expanding strongly, the effects of the relatively rapid rise in earnings on international competitiveness were offset by the good productivity performance in manufacturing. This is no longer the case. The rise in the unit costs of manufacturing has moved from around 1 per cent a year in 1987 to 5 per cent or more in late 1989.

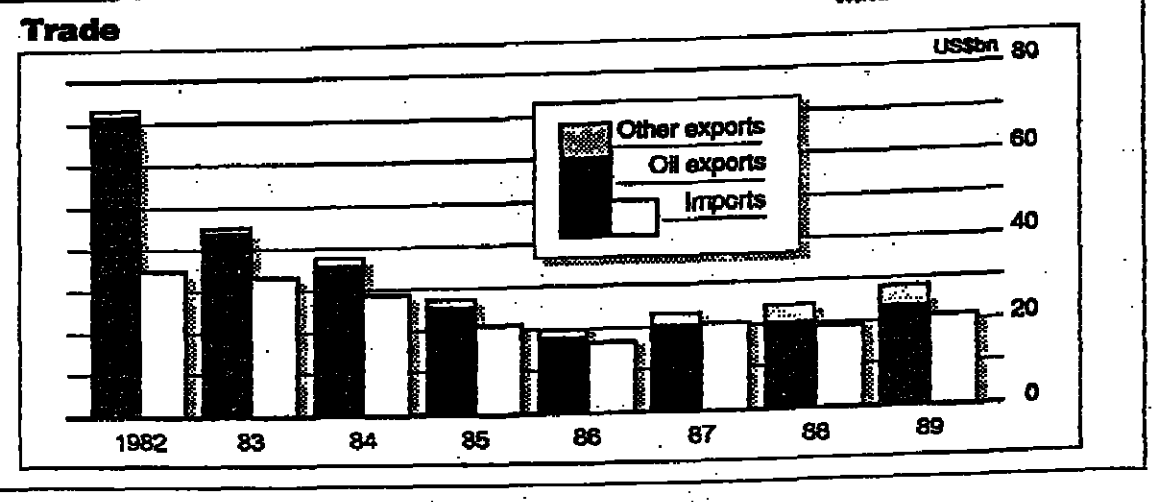
In short, the British economy started in the wrong place and has moved still further in the wrong direction over the past three years. To remedy both these problems the annual growth of earnings will have to be lowered, probably by some 4-5 percentage points. There is no chance that this can be done without a marked rise in unemployment.

The severity of that recession will be largely determined by the credibility of the Government and the wisdom of the wage bargainers. Both look inadequate. It is beginning to look increasingly clear, for example, that the Chancellor made a grave error in not raising interest rates in response to the weakness of sterling when he took over. It seems equally clear that short-termism is alive and well in the labour market.

The choice is quite stark. The Government may — tacitly, no doubt — abandon the effort to get inflation decisively down in fear of the political consequences of a second round of rising unemployment. In this case, the UK of the 1990s will have a higher rate of underlying inflation and a weaker currency than virtually all its peers. Alternatively, determined efforts will be made to lower underlying inflation, in which case a considerable rise in unemployment in the short run is unavoidable. It would be pleasant to believe that there is some reform in wage bargaining or some pay policy that will avoid the dilemma, but for the UK at least there is not.

SAUDI ARABIA





Andrew Gowers examines the reawakening of Saudi Arabia

Preparing a return to oil power

King Fahd ibn Abdul Aziz took a decision last year of enormous potential significance for Saudi Arabia and of more than passing importance for the world in the 1990s.

With customary discretion, the monarch — or Custodian of the Two Holy Mosques, as he prefers to be known these days — asked Saudi Aramco, the newly-renamed national oil company, to begin preparations for a huge investment programme with the aim of boosting Saudi crude output capacity to 10m barrels a day (b/d), a level not seen since the oil boom ended in the early 1980s.

The project, which entails capital spending of some $15bn on demothballing existing facilities and drilling new wells in the next six or seven years, is the clearest possible signal of the Kingdom's state of mind at the start of the 1990s.

Gradually, but with increasing sureness of step, Saudi Arabia is putting the gloom of the last few years behind it. The end of fighting in the Gulf war has freed its rulers from an obsessive preoccupation with events on their doorstep. And the economy is moving steadily out of a seven-year recession into what appears to be a period of sustained, if unspectacular, growth.

In short, the Kingdom, location of 25 per cent of the world's proven oil reserves, is preparing itself for the moment — which cannot be too far off now — when it regains its role as the unchallenged driving force in the international energy market.

Already last year its oil revenues were up by around 20 per cent, as it pumped more than 5m b/d at prices that have so far held surprisingly firm, despite rampant quota cheating by other Opec members.

And the Saudis are once again boosting their presence in the leading consuming markets. In the US, imported oil accounts for more than 50 per cent of total oil consumption, and half of this last year came from Saudi Arabia.

This does not imply a re-run of the 1970s, when the Saudis and other Arab Opec states used their muscle to drive prices through the roof; the Kingdom is too interested in preserving a long-term market for oil that it could produce at current rates for 136 years, to allow that to recur.

But what it does suggest is that Saudi Arabia, which sees itself as the only Opec member likely to have significant excess production capacity in the early 1990s, will be well-placed both to maintain prices on an even keel and to generate sufficient revenues to keep it in the style to which it used to be accustomed.

The signs of renewed economic activity and increased confidence, partly fuelled by these considerations, are already unmistakeable:

● Gross domestic product last year notched up the second straight year of growth, expanding by 3.2 per cent the 1988 figure and a similar amount in 1989, according to Sheikh Hamad Sayari, governor of the Saudi Arabian Monetary Agency.

● Prices on the Kingdom's fledgling stock market have seen a sustained recovery since the beginning of 1988, and real estate prices and rents have revived after declining by as much as 80 per cent since the boom.

● The Government and the Saudi private sector are dusting off investment plans to capitalise on the upturn. Apart from Saudi Aramco's expansion plan, Saudi Basic Industries Corporation — the 70 per cent state-owned enterprise which has emerged as a significant exporter of basic petrochemical products in the past few years — is expected to spend between $5bn and $7bn on increasing its capacity and enhancing its product range in the next few years, and big spending is also planned in the oil refining industry.

What is more, private businessmen are showing greater interest than ever before in undertaking industrial investments — whether in import-substitution factories, downstream plastics plants or energy-intensive industries such as aluminium.

This does not amount to anything resembling the cornucopia of the 1970s and early 1980s; indeed, GDP is still around half the $147.5bn it attained at the peak in 1981, and the authorities have been going out of their way to ensure that expectations do not again become inflated.

Many of the old nagging problems remain: there was much complaint last year, for example, that the Government was failing to pay its bills and, barring an unexpectedly sharp upswing in oil prices it will have problems financing a chronic budget deficit for the foreseeable future.

But the indicators do imply that Saudi Arabia has emerged from the recession in much better shape than most people had thought. With the exception of the free-booting United Arab Emirates, it can now be said to be the most dynamic economy in the Gulf, an observation that would have met with derision as recently as 18 months ago.

Equally to the point, it is also a very *different* country from the one that experienced the boom years. As a study* of the Kingdom's private sector recently published by Business International, points out, the recession was accompanied by subterranean but significant changes in Saudi business and society that are unlikely to evaporate as the economy improves. They include:

● A radical improvement in the structure and performance of the private sector. The days of easy money are now a distant memory; recession weeded out the weaker companies and forced everybody to cut costs and focus on higher profits at a lower turnover. The fruits have been a much better calibre of management, more emphasis on planning and marketing and, in the best cases, a sophisticated corporate culture that will outlive the older generation of Saudi merchants.

"We have a much better equipped group of people for business and free enterprise than in the decade of the 1970s," Sheikh Suliman Olayan, the investment magnate who is one of the doyens of the Saudi business community, said.

"At the peak, nobody worried about costs, but the decline taught people that they have to review their fat," agreed Dr Abdulrahman al-Zamil, the Deputy Minister of Commerce.

● A more selective, more cost-conscious, better-educated consumer base, which is making greater use of supermarkets and service or leisure industries. The Saudi population (not including an expatriate workforce of 2m or more) is now in the region of 8m but is growing at an annual rate of up to 3.5 per cent.

> **'The Government, is applying increasing pressure on companies to "Saudi-ise" their workforce'**

● With about 0.16 per cent of the population graduating from college every year, the Kingdom's educational revolution is well advanced. As a whole, Saudis may be poorer than they were, but the young generation also has an increasing appetite for consumer goods as young married couples set up their own households rather than living with their parents.

● And Saudi businessmen increasingly are looking to markets in the other Gulf states, as tariff and other barriers between members of the six-nation Gulf Co-operation Council (GCC) come down.

● A transformation in the economics of local industry. This stems largely from a sharp slide in the cost of imported labour from countries like Sri Lanka and the Philippines; foreign workers in the Kingdom, who still comprise the bulk of the labour force, are these days prepared to accept wages a third or a quarter of what their predecessors demanded.

● As a result of this and other cost-cutting, some companies are now competitive enough to export — not just to the GCC but beyond. The Zamil group of companies, based in Saudi Arabia's eastern province, has sold plastic coat hangers to Japan and pre-engineered steel buildings to Malaysia in the recent past. Another enterprise, the National Factory for Can Ends, a joint venture involving Metal Box, has cornered the large Gulf market in aluminium can ends for soft drink cans and is now exporting to Europe.

● The Kingdom's total industrial exports are still very small by comparison with oil, but the mere fact of Saudi companies marketing their wares abroad at a profit (however marginal) would have been inconceivable a decade ago.

● An increasing propensity on the part of the private sector to contemplate taking risks. Saudi businessmen, like their counterparts in other Arab countries, have always been traders first and foremost, preferring quick turnover to the long wait for a return on industrial investment. There are signs that this is beginning to change, that business people are beginning to do what the Saudi Government has long exhorted them to do: bring home some of their vast overseas assets and put them to work.

Saudis are being encouraged to invest in local production by rising protective tariffs, in addition to other incentives, such as soft government loans, that have been on offer for years. Some businessmen have set up new joint-stock companies with a view to investing in ventures such as downstream petrochemicals.

Another group of investors, led by the Alirezas, one of Jeddah's main merchant families, is planning to build a 214,000-tonne aluminium smelter in the Red Sea industrial city of Yanbu, in conjunction with foreign investors, including Pechiney of France and British Aerospace. At a cost of $883m, this is by far the largest investment to be considered by the private sector.

A growing number of foreign companies are also looking at producing in Saudi Arabia. Several western multinationals have already taken the plunge with a view to maximising their market share behind a tariff wall that can be as high as 20 per cent. Other companies, especially British and French ones, are having to consider joint ventures in the Kingdom as a result of government-to-government offset investment agreements linked to military contracts.

There is a gradual dissemination of a professional work ethic among Saudis. This, too, would have seemed a highly unlikely prospect a few years ago, when Saudis could count on a civil service sinecure on graduation from college or a fast buck in the property market. No longer: Government recruitment has been virtually frozen for some time; opportunities for speculation are minimal; and young Saudis are finding themselves having to knock on doors like anyone else in search of a career.

It is certainly still true by and large that Saudis will not do menial work and that they account for only a tiny proportion of employees in the private sector. But they are now prepared to accept relatively low starting salaries in the interest of acquiring relevant technical skills — suggesting that a home-grown cadre of managers eventually will take over from the still-omnipresent Westerners.

The Government, conscious of the need to create employment for the 550,000 graduates likely to hit the job market in the next five years, is applying increasing pressure on companies to "Saudi-ise" their workforce.

All this is not to say that Saudi Arabia is in the process of creating something approximating to a modern industrial economy. Government spending still accounts for 50 per cent of GDP and it is thus on state revenues that the country's economic health — as well as the fortunes of foreign businessmen there — largely depends.

Doing business there remains a tricky and time-consuming affair that revolves too much around who you know. Saudi commercial regulations are inadequate and liable to capricious interpretation by the Sharia (Islamic law) courts and the bureaucracy. The extended royal family has its fingers in far too much of the pie for the liking of many businessmen.

But these gripes, while frequently bothersome, are not a serious impediment to a revival of economic activity, and it would be foolish to underestimate Saudi Arabia's potential just because traditional Arabian ways of doing things still prevail.

If western companies and governments have been inclined to downgrade the Kingdom on their list of priorities in the last few years, they may find themselves paying closer attention again very soon. And when they do, they would be well advised to jettison many old assumptions.

**Saudi Arabia: Economic Recovery and the Private Sector, by Michael Field.*

OBSERVER

Archer finds a sponsor

■ Jeffrey Archer arrived half an hour late at his own theatre. Even then he had to go out again several times in order to be properly photographed coming in. But you have to admit that the politician turned novelist, playwright and impresario has a knack of putting deals together.

Since 1988 Archer has had the controlling interest in The Playhouse theatre, near Charing Cross Station. And it doesn't need him to tell you that it is one of the most beautiful theatres in London. It is.

Originally known as the Royal Avenue Theatre, it staged the first West End production of a play by George Bernard Shaw: Arms and the Man in 1984. Mrs Patrick Campbell went on to star there and, although the subsequent history has been somewhat chequered, there have been memorable first performances: the plays of Somerset Maugham in the late 1920s and early 1930s when Gladys Cooper was the sole lessee and actress-manager.

For 25 years after 1950 the place was run by the BBC, which used it as a studio for radio shows requiring a live audience, like The Goons and Hancock's Half Hour. Both The Beatles and The Rolling Stones made of their first broadcasts from the theatre.

Then in 1975 the BBC vacated it and the history became chequered again. The Playhouse changed hands several times until Archer took over. Yesterday he announced new steps. In future the theatre will be known as the M I Group Playhouse.

This is one of the biggest pieces of theatre sponsorships so far, and one of the most unusual. M I is the financial services group which helped put on Aida and Carmen at Earls court. It is putting £500,000 into The Playhouse over three years.

When he finally arrived at the ceremony yesterday, Archer said it was the kind of deal that would shock a lot of people in the theatre world. If The Playhouse had turned it down, "there would have been a queue to take it up from London to Edinburgh."

Trevor Deaves, the 36-year-old chief executive of the M I Group, said that sponsorship had played an important part in the development of the Group. There will also be a Playhouse Theatre Club for M I's 2,500 employees, and special facilities for M I clients.

In the day-time, M I plans to put the theatre to extra uses. The first conference of NACO will be held there in September. NACO is the National Association of Compliance Officers and is being set up by an M I director, Clive Warburton, who was previously a senior compliance officer at IMRO.

Archer's latest play, Exclusive, collapsed rather quickly in the West end last year, and some of his earlier ventures have not been entirely successful. Never let it be said, however, that he does not land on his feet.

Saturdays

■ We went on Saturday to order some stuff for a new bathroom. All the experts said that the best place was a show room in Acton, West London. What it occurred to no-one to say is that it is closed on Saturdays and indeed is open on weekdays only from 8 am to 5 pm. This seems to me a peculiar way of doing business in an entrepreneurial society. When else, other than Saturday, is one supposed to turn up for what is a fairly expensive acquisition?

I then went to buy a copy of Le Figaro in one of the most cosmopolitan parts of London. The latest available was last Thursday's. Finally, I tried to buy some Finish, liquid dishwasher soap. Three successive shops were out of stock. This is London 1990.

And to think we could have been watching more of the rugby — on which a repeated plea. Is it really necessary to hold two internationals on the same day? One a week through the season, to be shown live and in full, is the perfect recipe for a winter Saturday afternoon.

"I swear to be economical with the truth, the whole truth and nothing but the truth."

Two of a kind

■ There always seemed to be a similarity between Herbert Wehner, the West German politician who died at the weekend, and Franz Josef Strauss, who pre-deceased him. Although from different ends of the political spectrum, they had a kind of political pragmatism that outsiders sometimes found hard to appreciate.

Wehner was an ex-Communist who did as much as anyone to turn the Social Democrats to a moderate path with the Bad Godesberg programme of the late 1950s. It was also he who helped guide them into coalition with the Christian Democrats, and then to be the key party in government. Yet some Christian Democrats saw him alawys as a Communist at heart.

Strauss, too, could be pragmatic. He was rather respected in Eastern Europe and was not at all opposed to Bonn having an eastern policy under Willy Brandt. He just thought that he could do it better. Strauss and Wehner would have been thoroughly at home in the present climate. They also both had a habit of speaking German at times in a way that was almost incomprehensible to foreigners: Strauss in a Bavarian dialect, Wehner just incomprehensible.

Taxing job

■ Brian Unwin, chairman of Customs & Excise Board, is not only the captain of the department's cricketing side; he is also board secretary to the English National Opera. Last Friday evening he was seen taking his French counterpart, Jean-Dominique Comolli, to the ENO production of Gounod's Faust, sung in English.

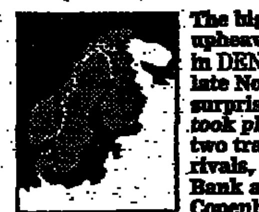
This could have been a softening up exercise, for Customs & Excise may be about to place one its its more high powered members as director-general in Brussels responsible for indirect taxation. He or she would serve directly under the French taxation commissioner, Christiane Scrivener.

Taboo

■ Pinched from a column in Saturday's Times because it seemed worth repeating. "How many feminists does it take to change a light bulb?" "That's not funny?"

Robert Taylor reports on the current wave of mergers and acquisitions in the Nordic countries' banking sector

High interest from financial liberalisation



The biggest upheaval has been in DENMARK. In late November the surprise merger *took place* between two traditional rivals, Den Danske Bank and Copenhagen Handelsbank, to form Den Dankse Bank with an equity capital of DKr19bn (£1.7bn) and total assets valued at DKr300bn. On 13 December the Jutland-based Provinsbanken joined them to create what is now the biggest bank in the Nordic region with total assets of nearly DKr400bn and equity and reserves of more than DKr23bn.

Earlier last month three other Danish banks — Privatbanken, SDS and Andelsbanken — announced that they had merged to form UNI Bank Danmark (UBD) with combined assets of DKr300bn and equity of *DKr19bn*. The two new conglomerates combined will account for around 55 per cent of total Danish banking.

SWEDEN has also undergone bank mergers over recent weeks, with more structural changes than it has experienced in the past 20. It began with the announcement on November 20 that the country's second largest bank, Svenska Handelsbanken, intended to purchase the Malmö-based regional Skanska banken for SKr2bn (£200m), to form a new bank with assets of some *SKr300bn*.

Earlier this month Sweden's state-controlled PK Banken made a successful SKr5.6bn bid for the country's fifth biggest bank, Nordbanken. The result has been the creation of what is now the country's biggest banking group, Nordbanken, with total assets of SKr309bn.

Until now the powerful Scandinaviska Enskilda Banken - the largest in the region before the recent upheaval — has not played a big role in events, though it did make a late, unsuccessful counter-bid for Nordbanken. Some observers believe that SEB's internal troubles this autumn — revolving round the alleged tax irregularities of its chief executive Mr Jacob Palmstierna, who resigned *and was later charged* — preoccupied the bank's leadership so that it missed out on opportunities for expansion.

There are strong indications that SEB may also become a beneficiary of the Nordic banking merger trend. It is believed to be having discussions with Gotabanken, Sweden's fourth largest commercial bank, which is busily digesting two Swedish regional banks, Wermlandsbanken and Skaraborgsbanken.

But with the removal of regulations over foreign banks *coming in July, there is a possibility* that SEB will establish close relations with banks inside the European Community.

Last October NORWAY's Bergen Bank and Den norske Creditbank (DnC) announced that they had merged to form a new alliance with total assets of NKr210bn (£19bn). This looked more like a shot-gun marriage than one of convenience for the troubled DnC.

Since the end of the oil boom in 1986 the Norwegian banking system has gone through a crisis period with heavy loan losses and a record number of commercial and personal bankruptcies that hit bank profitability badly. In the case of DnC the troubles were especially acute, with its equity ratio capital *falling to dangerously low levels*.

Only FINLAND's banking scene has remained tranquil. But there is no reason why the Finnish banking system should be immune from the Nordic upheaval, since the primary reasons for this sudden outburst of Nordic bank merger and acquisition activity are common to the region as a whole.

Nordic banking is experiencing the biggest shake-up in its history. The decision last week by the Swedish Government to allow foreign banks to open branches in Sweden underlines the growing financial liberalisation of the region. Bank mergers and amalgamations in Denmark, Sweden and Norway are redrawing the contours of the region's banking structure. And there no signs that the changes are over yet; more can be expected over the coming months. The old, settled, regulated world of Nordic banking which has lasted for half a century is over for good.

The chief catalyst for change has been the European Community's decision to create a free internal market by 1992 and its specific commitment to the free movement of capital. The liberalisation and deregulation of the Nordic financial markets began in the early 1980s but the speed with which the over-protected system is being dismantled has increased during the past two years. In that time, the governments of the region have committed themselves to removing the remaining restrictive financial barriers between the Nordic region and the EC. "The Nordic banks are positioning themselves for Europe," says Mr Sten Westerberg of SEB's Fond Commission.

This positioning has compelled

The upsurge of bank mergers marks more vividly than ever before just how fast the Nordic region is converging with the rest of Europe

them to strengthen and streamline their organisations by reducing the number of players in what has traditionally been an overcrowded market.

"As a result of regulation we have simply had far too many banks in the area," says Professor Lars Oxelheim of Gothenburg University. "In the past when there was a fixed interest rate banks were forced to compete with each other through the quality of the service they could provide. You had them proliferating and duplicating themselves in every small town and village." In Denmark today, for example, there are still 77 commercial banks and 150 savings banks to service a population of just over 5m.

The pressures for a more streamlined and rational banking structure have, therefore, grown irresistible. With economies of scale the emerging bigger banks can save on costs by not duplicating services and by using modern computer technology more efficiently. The results will inevitably mean fewer local bank branch offices with less staff in many areas and perhaps an overall improvement in the quality of service to corporate and individual clients.

However, there is a more fundamental reason for the mergers and amalgamations. The growing domination of the Nordic banking scene by the larger national commercial banks reflects an understandable defensive strategy on their part to strengthen their position before the expected arrival of foreign banks in their midst. This looks likely to happen over the next few years. The promised changes in domestic banking legislation will first lift existing restrictions on foreign banks operating in Sweden; the necessary deregulation there is expected within 12 months. Later the restrictions will be lifted in Norway.

In the past Nordic governments have tended to protect their domestic banks from outside competition. Now, with varying degrees of enthusiasm, they are openly and positively welcoming the end of the old regulated system they created in the 1930s. Indeed, a favourable government attitude has been a crucial element in the current banking upheaval.

The Nordic governments have abolished or relaxed foreign exchange controls and allowed their own citizens and financial institutions to buy shares abroad.

The liberalisation of capital movements has also played an integral role in facilitating the expansion of the international operations of Nordic companies, particularly the larger Swedish ones inside the EC. It has precipitated a reassessment inside the Nordic banks of how they should devise strategies that will tie them closer to such European developments.

It is true that so far there have not been many big cross-border banking ventures, mainly because restrictions on foreign ownership still make such undertakings difficult. But there is evidence of some first moves to do deals of this sort. The most prominent is the Scandinavian Banking Group that has brought together Bergen Bank, SEB, Danske Bank and the Union Bank of Finland in a co-operative venture which enables the customers of one to enjoy preference with the others. In the autumn of 1988 the Finnish bank Kansallis-Osake-Pankki formed a holding company structure with the Gota group in Sweden.

Joint ventures between Nordic banks and banks outside the region — particularly those in EC countries — can also be expected in the near future. Danish banks could lead the rest as they seek niches in markets elsewhere in continental Europe. This would mean the development of pan-European regional strategies for the banks rather than any over-ambitious attempt to compete head-on with the existing EC financial giants.

Such a move would also enable the Nordic banks to service Nordic companies that are busy expanding their operations in the EC through direct investment, although many of the large industrial companies do not need to rely on the Nordic banking system for the growth of their activities. "Big companies need big banks," declares Professor Oxelheim.

At the same time joint ventures between different kinds of Nordic financial institutions can also be expected over the next few years. The chief executive officer of Denmark's

Joint ventures between Nordic banks and banks outside the region — particularly those in EC countries — are expected in the near future

leading insurance company Baltica, Mr Peter Christofferson, has suggested the creation of a huge Danish conglomerate that would bring together existing institutions from commercial banking, insurance and mortgage credit.

The carefully drawn legal distinctions between different kinds of financial activity that have regulated the Nordic banking scene are becoming rapidly obsolete and new laws will make much easier the emergence of large multi-financial bodies to service industry and the individual. This is already the case in Finland, for example, where the banks have started selling certain kinds of policies for the insurance companies, although they have not been allowed to take on any insurance liabilities themselves.

It is often overlooked that all the major Nordic financial institutions have already established subsidiaries or representative offices across the world as financial integration and capital mobility are bringing them ever more firmly into the international financial system.

This winter's sudden upsurge of bank mergers and acquisitions in the Nordic region marks more vividly than ever before just how fast the region is converging with continental western Europe.

LOMBARD

Mr Newton's Overdraft

By Michael Prowse

MR TONY NEWTON, Britain's social security secretary, is proving a bit of a spendthrift. After running a healthy surplus for years, the National Insurance fund has plunged into deficit. I would be the last to object if this reflected a more generous policy on benefits. Needless to say, it does not. The basic pension, which continues to decline against earnings, is a meagre £43.60 a week — rather less than the cost of a meal for two in a typical City restaurant.

The deficit mainly reflects the unexpected popularity of *personal pensions*. When people contract out of the state earnings related pension scheme (SERPS), the fund loses contribution income. It also has to pay out an "incentive" payment worth 2 per cent of relevant earnings. But the fund's short-term liabilities — principally pensions and payment — remain unchanged.

Officials originally budgeted for about three quarters of a million people to leave SERPS. The latest estimate is that about 4m will have left by the end of April. But if the insurance companies launch another successful sales drive, this may prove an underestimate: the market for personal pensions could be as large as 7m people — two thirds of the original SERPS membership.

This exodus is proving expensive. The cost of contribution rebates has risen from £792m in 1987-88 to £1,500m in 1989-90. Incentive payments have soared from £346m to £615m. Overall the fund will have lost nearly £5bn in the three years to next April. Costs are likely to escalate because more people will leave SERPS and because contribution rebates and incentive payments are linked to earnings. An increase in National Insurance contributions (NICs) would be the logical response to this loss of revenue, but it hardly looks attractive in the run-up to a general election.

The Government has thus begun covertly subsidising the National Insurance fund from general tax revenue. This is somewhat ironic because Mr Nigel Lawson spent years as Chancellor struggling to reduce the fund's reliance on Treasury subsidies. The so-called Treasury Supplement has only just been abolished. The return of subsidies may be embarrassing, but does it matter? Some critics will say no, on the grounds that NICs are merely a crude tax on employment; a cross subsidy means less weight is placed on a bad tax. In the long run, say such critics, NICs should be merged with income tax and the fund wound up.

This may look an appealing argument, but it ignores the attractions of contributory benefits. There may be no *actuarial link between contributions* paid and benefits received, but many elderly people, with some justice, believe they have "earned" their state pension. Tax financed income support is regarded as state charity.

There is a more telling objection to Mr Newton's overdraft. When the Thatcher Government swept to power in 1979, it promised to abolish state subsidies. It claims to believe that companies and individuals should face the true economic costs of their decisions. Yet the 2 per cent subsidy for personal pensions is as harmful as the hand-outs received by manufacturing industry in the 1970s. The bribe has artificially stim*ulated the demand for personal* pensions — and the premium income of insurance companies — because salesmen can offer "something for nothing."

There was a case for making personal pensions available, but not for loading the dice against SERPS. Many of those who left the state scheme probably did not appreciate the risks involved in abandoning a guaranteed pension for the vagaries of the stock market. Statistically, a significant proportion are likely to end up with grossly inadequate pensions. Even the insurance companies admit that all those who left would be wise to rejoin SERPS at a future date.

It is surely the height of fiscal irresponsibility to undermine the National Insurance fund by spending £1.5bn of taxpayers' money encouraging people to gamble their pensions. When so many of today's pensioners are obliged to live on so little, the policy looks more than a trifle callous.

LETTERS

Wage bargaining: advantages of the Japanese way

From Mr Ronald Dore.

Sir, Peter Robinson of the Campaign for Work pleads (Letters, January 17) that the United Kingdom should find some more civilised way of managing wage bargaining than occasionally clobbering the economy with a swingeing deflation.

Last Thursday's issue of Asahi (one of the Japanese newspapers published daily in England) reported part of the process whereby, in Japan from January to March every year, a rough kind of "consensus view" about the economy and the size of an affordable pay increase is built up in advance of the "spring struggle," when wage negotiations take place more or less simultaneously in individual firms.

The Japanese Employers' Federation (Nikkeiren) held an extraordinary general meeting at a Tokyo hotel on January 17 and approved the report of its Labour Problems Study Group, which establishes the federation's basic stance for the wage negotiations. The report came out strongly for the principle of the productivity criterion, which meant, *according to the* study group's calculations, a wage rise of 3 per cent.

However, the president, Mr Suzuki, said at the meeting: "The 8 per cent to 9 per cent, which the Rengo union federation is talking about, is out of the question, but in the light of the booming state of the economy and the overall shortage of labour, 3 per cent does look a bit unrealistic. I think we need to be looking at something under 5 per cent, certainly, but something in the 4 per cent range."

The point is not to envy an economy where 4 per cent to 5 per cent counts as a realistic figure. *The point to envy* — and to see whether possibly we can emulate it — is the way the wage bargaining proceeds.

Japan's is an economy in which every newspaper reader, every wage bargainer, is reasonably well acquainted, through daily news items like this, with the basic concept of "the overall increase in incomes the economy can afford without running into inflation."

And, because all the bargaining is crammed into a few months of the year, that general consciousness really does enter into the bargaining process.

Ronald Dore,
Japan-Europe Industry Research Centre,
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Exhibition Road, SW7

Goodwill and tax

From Sir Ian Morrow.

Sir, The resistance to writing off goodwill is in part because the write-off is not allowed for tax and thus causes considerable distortion to the net profit.

I would suggest that goodwill should be stated in full in the balance sheet and not written off on acquisition, but until write-off is allowed for tax the write-off in the profit and loss should be balanced by a draft on reserves.

Ian Morrow
2 Albert Terrace Mews,
London NW1

Rate phasing bitterness

From Mr A.S. Paddison.

Sir, Richard Evans ("Businesses protest at rate phasing," January 16) appears to have missed the real point about why those businesses with rate reductions in 1990/91 are complaining so bitterly about phasing.

Mr Evans correctly points out that the percentage reductions in real terms, for premises where the rateable value exceeds £10,000 (outside London), is 10.5 per cent. But the Government has decreed that 7.6 per cent inflation is added back, so that the net reduction is only 3.698 per cent.

How many years will it take to get down to the relevant level when many businesses are entitled to a 50 per cent reduction or more?

Losers go up by 20 per cent in real terms — but by the time inflation is added, the real percentage increase is 29.12 per cent (and increasing at roughly the same level per annum until they reach *the full amount of* rates payable on their new rateable values.

A.S. Paddison,
Bidwells (chartered surveyors),
Trumpington Road,
Cambridge

Dish for polyglots

From Mr David Steeds.

Sir, Emrys Edwards ("The Countess no longer loses her chopsticks," January 12) is optimistic about the availability of satellite television for the learning of languages.

I agree that watching foreign TV is an excellent way to learn. Unfortunately none of the British satellite companies offers any foreign TV channels and a special dish beamed at foreign satellites costs over £2,000.

David Steeds,
7 Campion Road,
Putney, SW15

Bundesbank tactics and the European Monetary System

From Mr David Morrison.

Sir, George Magnus (Letters, January 17) is probably correct in stating that a sizeable revaluation of the D-Mark versus other currencies in the European Monetary System (bar the Danish krone and Irish punt) is required to resolve the burgeoning trade *imbalances* within Europe. However, he is unjustified in criticising Samuel Brittan for labelling the Bundesbank "irresponsible" in its campaign to force such a realignment (Lombard, January 15).

Of course the Bundesbank's tactics are irresponsible. Not only have they allegedly ignored the desires of any other EMS central bank or, indeed, any other Group of Seven partner, they are also trying to force a result in a system in which they are essentially "outsiders," not "insiders."

Exchange rate levels in the EMS, like any other fixed rate mechanism before it, are set primarily by politicians. Exchange rate economics does not matter much to them unless the politicians are under threat from the strains within the system. Thus the Bundesbank's *correct judgment* that a D-Mark revaluation is appropriate can be easily ignored by people more interested in vote-catching or retaining, than setting "responsible" exchange rate levels.

I am surprised that such a good international economist as George wanted to alert the political fixers to the error of their ways. After all, the longer it takes the politicians to address the problem the more likely that the inherent flaws of the exchange rate mechanism's excessive rigidity will be exposed to all the world.

David Morrison,
Managing Director,
Chief International Economist,
Goldman Sachs International,
5 Old Bailey, EC4

From Mr Donald Franklin.

Sir, George Magnus is quite right to stress the importance of recent capital flows into *West Germany following* developments in eastern Europe as a justification for a revaluation of the D-Mark.

What he fails to appreciate is the political importance to supporters of economic and monetary union of maintaining current parities: whether the EMS can withstand an external shock, such as the crumbling of the Berlin Wall, without a realignment is a key test of the sustainability of fixed exchange rates in Europe (for both the Delors and the Treasury models of European monetary union).

Revaluation of the D-Mark's real exchange rate is none the less inevitable: it can only be secured without EMS realignment if German inflation exceeds that elsewhere for a number of years.

Clearly the Bundesbank is not keen for this to occur through a significant accelera*tion of German inflation*. But the rise of other European interest rates in line with German rates despite the absence of comparable domestic inflationary pressures, suggests that other authorities, particularly the French, may be attempting to secure a substantial reduction in their inflation rates beneath that of Germany.

Such a policy may be difficult (growth will no doubt also undershoot), but it is both credible and worthy.

Donald Franklin,
Chief Economist,
Schroders,
36 Old Jewry, EC2

FINANCIAL TIMES
Monday January 22 1990

Washington mayor admits he has a drug problem

Effi Barry backs her husband (left) at a news conference

MR MARION BARRY, the mayor of Washington DC, charged with possession and use of crack cocaine, yesterday admitted he had "a problem" amid speculation by his closest advisers that he would not stand for re-election this November and would enter a drug treatment programme, writes Peter Riddell, US Editor, in Washington.

Following his arrest late on Thursday in a Federal Bureau of Investigation operation, Mr Barry decided to hand over his day-to-day duties as chief executive of the US capital to the city's top administrator.

The Barry affair has not only gripped Washington but has also dominated national attention, not least because the US capital faces a serious drug epidemic and related street violence.

The likely end of Mr Barry's more than 11 years as mayor opens the possibility that the Rev Jesse Jackson, America's best-known black politician – and a resident of the city – might stand. He has so far been non-committal, and yesterday pulled out of a television interview because, it was said, he had completely lost his voice.

In a televised statement yesterday at his local church, Mr Barry said he had a problem and would seek help "to heal my body, mind and soul." Bishop Hartford Brookins, a minister the mayor had consulted, said Mr Barry had admitted some kind of drug and alcohol dependency problem and would seek treatment for it.

There were reports yesterday that Mr Barry would not run for re-election and that his lawyers might discuss a possible plea bargain agreement with prosecutors. The federal authorities have talked of a continuing public corruption investigation and hinted at further charges.

There has been strong pressure on Mr Barry to stand down, from both the majority black community in Washington and from such pillars of the white establishment as the Washington Post newspaper.

An opinion poll commissioned by the paper shows that most residents, including a small majority of blacks, believe Mr Barry should resign as mayor immediately.

His arrest has stunned the black community, where he led the fight against drug abuse and trafficking.

Editorial Comment, Page 14

Now for the economic revolution

Romania's new Finance Minister talks to **Victor Mallet**

MILITARY officers do not always make good finance ministers, but Gen Victor Stanculescu, the National Economy Minister in Romania's interim government, is no ordinary soldier. The only gun he carries now is a toy cigarette lighter.

In an interview with the FT, Gen Stanculescu outlined the Government's sweeping plans to liberalise industry and agriculture and solicit foreign investment following the revolution a month ago.

Gen Stanculescu said Romania was drawing down its foreign currency reserves to pay for imports, but added: "With what we have of our own, and with what we are owed by other countries, there are no problems for this year."

The current account has moved into deficit after years of surpluses under the austere and brutal regime of Nicolae Ceausescu, who used the money to pay off the entire foreign debt at the expense of the living standards of his people. The deficit has emerged partly because of the turmoil of the revolution, and partly because the ruling National Salvation Front has suspended food exports until mid-1990 and arranged special imports. Gen Stanculescu said $150m of food will be imported in the first quarter of the year.

Negotiations are under way to secure urgently needed electricity supplies from the Soviet Union, Czechoslovakia and Western Europe.

As the former chief of armaments and logistics in the Defence Ministry, he is well placed to procure the food and energy imports - which the Romanian economy so desperately needs. "I have worked on economic questions for 30 years," he said. "The situation has improved a lot ... let's hope that the people will have confidence and that the produce will start to arrive at a faster rate."

Diplomats in Bucharest estimate that Romania had about $1bn in foreign exchange reserves at the end of last year, and is owed some $2bn by its trading partners, mostly in the Middle East. This should give the country a breathing space until it negotiates foreign loans.

"We are no longer a closed country," said Gen Stanculescu, when asked whether Romania would borrow. "We

Diplomats in Bucharest estimate that Romania had around $1bn in foreign exchange reserves at the end of last year, and is owed some $2bn by its trading partners.

are analysing things with our experts and we will begin to approach various countries and international organisations."

He said industrial production was 20 per cent down because of electricity shortages, and was depressed only another 5 per cent by the post-revolution confusion on the shop floor.

He expressed anger at trading partners who, he said, were trying to push up international food prices in response to high demands from Romania, the Soviet Union and Poland. "If the European market continues to do this we will contact Argentina and Brazil, especially for meat."

He spoke of a series of measures which show that the Romanian Government is already relinquishing the old rigid central planning system. Guidelines for foreign investment and joint ventures are being prepared, industrial decision-making is being decentralised, and 2m hectares of badly managed co-operative farmland are ear-marked to be returned to the peasants who once owned it.

His ministry will control the production and distribution of 400 basic materials compared with 2,000 before the revolution. Trade with the West is expected to increase as state companies make their own contacts abroad without reference to any higher authority.

The Leu, the Romanian currency, was devalued last week, with the commercial rate rising to 21 to the dollar from 15, against a black market rate of about 70. Gen Stanculescu wants the economy to adjust to reality but not with a hard landing.

He displays the same caution with his plan for the gradual erosion of consumer subsidies. "We shall do it very carefully. It will not be a spontaneous liberalisation but a controlled one."

In the lobby of the Economy Ministry, the words "Socialist Republic" have been torn out of the brass slogan embedded in the wall, leaving to declare "Long Live Romania."

Gen Stanculescu and his colleagues are busy receiving foreign visitors and securing imports for the year ahead from Western and Eastern Europe. They know, however, that much larger questions about the country's economic future have yet to be resolved.

The new generation of Romanian leaders in the ruling Front and in the various political parties beginning to emerge have begun to grasp the enormity of the task which awaits them.

Much of the debate focuses on the difficulty of transforming a rigidly-controlled planning system into a thriving mixed economy, at the same time as meeting the expectations of the Romanian people after the December uprising.

It is true that the Ceausescu regime, having squeezed the population dry, left no foreign debts, but he also left no private businessmen capable of buying up the ailing state industries now touted for privatisation. Investment was

The new generation of Romanian leaders in the ruling Front and in the various political parties beginning to emerge have begun to grasp the enormity of the task which awaits them.

insufficient and mis-directed into heavy industry. Private farms were either swallowed up or discouraged by the state.

Government statistics were largely bogus and the true figures are even worse than expected.

Last year's grain harvest was 17m tonnes, not 60m tonnes announced by Mr Ceausescu. Potato production was a quarter of the official figure.

If the interim Government goes too far in laying down the law for Romania's economy or for its political system, it risks being accused yet again of riding roughshod over other political groups and their views. Political instability is therefore likely to slow the pace of Romania's inevitable econmic reforms.

Bush faces battle over taxes and budget cuts

By Peter Riddell, US Editor, in Washington

A LENGTHY battle between President George Bush and the Democratic-controlled Congress over taxation and reducing the budget deficit is in prospect after Senator George Mitchell, the Majority leader, yesterday hinted at possible leadership support for a cut in the social security payroll tax.

Until yesterday, the Democratic leadership had remained silent since Senator Daniel Patrick Moynihan, the independent-minded New York Democrat, suggested reversing increases in the social security tax three weeks ago. This has been strongly opposed by the Administration.

Mr Richard Darman, the budget director, said yesterday that Senator Moynihan had "in effect, thrown a grenade into the middle of the House and the Senate. We're going to have a lot of shrapnel in the air; and what he's hoping is that somehow they're all going to run at once and make it into a beautiful vase."

A week before the President's budget, Mr Darman said that the "peace dividend" in defence cutbacks in defence spending would amount to $10bn in the coming fiscal year in real, inflation adjusted terms – or $15bn to $16bn less than previously planned, rising to $40bn in four years.

Senator Mitchell said yesterday that, while he could not endorse the Moynihan proposal yet, he might "well do that soon." He said there was "a growing groundswell of support for it in both Democratic and Republican parties in Congress and around the country. I think it's the kind of thing that deserves very serious study ... We may well endorse it once we get the details of the plan, and, most importantly, determine the impact on the deficit."

He talked of possibly linking deficit decrease to payroll tax reduction. He added that there is "a very real possibility that it might pass."

In an election year, Democratic leaders see the scope for using the proposed cut in social security tax – which mainly benefits lower and middle income groups – as part of larger budget manoeuvring along with the President's proposed cut in capital gains tax, which mainly helps the better-off. Senator Mitchell said that the Moynihan proposal greatly complicated a capital gains tax cut.

Senator Moynihan has argued that rises in the payroll tax have boosted the existing surplus on the social security trust fund which has been used to hold down the Federal budget deficit.

The suggested cut in the tax would add $62bn to the deficit over two years and undermine the task of cutting the deficit in line with the Gramm-Rudman statutory targets.

Fed and White House pull punches, Page 4

THE LEX COLUMN

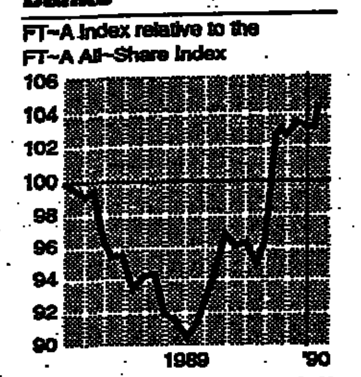
Let the buy-out also beware

As Lowndes Queensway returns from suspension today, shareholders are entitled to ask themselves why on earth they should pay for a rights issue five months after the last one. The whole point about buy-outs is supposed to be the substitution of debt for equity. This deal involves more than tripling the equity base, with the injection of £35m of equity capital into a business which was only worth £27m when its shares were suspended.

It is also unclear when the new shares might provide a return. Given the risks, it would be reasonable to expect at least the same 15 per cent yield as can be got on cash. At a price of 5p and assuming some kind of dividend cover, this implies earnings per share of 1p, or operating profits of perhaps £35m. For a company forecasting net losses this year of £45.5m and a further £35m of exceptionals, this would be good going. The old Harris Queensway, a rather larger organisation, made only £45m in operating profit in its best year.

It would hardly do for shareholders to vote down the package, since this would mean the collapse of a business with 5,000 employees. The more sensible course is to decline to take up the rights, even if this means diluting the existing shares almost out of existence. After all, any shortfall on the issue has been guaranteed by those to whom the job of rescue properly belongs – the bankers who sanctioned the deal in the first place.

Banks



UK banks

Now that the UK clearing banks have summoned up the courage to sell the Yorkshire Bank to a new competitor, their recent conversion to maximising shareholder value ought to mean that they should continue to tidy up their business by disposing of other inherited investment oddities such as the 3i Group and the Agricultural Mortgage Corporation. However, this is mere tinkering in contrast with the sweeping changes in the banking landscape which are likely to occur over the next few years.

The old pecking order in UK banking has remained virtually unchanged since the big banking mergers of the late 1960's. The Bank of England did try to tidy up some of the loose ends by arranging the marriage of Standard Chartered and the Royal Bank of Scotland in 1981. But this was thwarted by a combination of events and, apart from Lloyds Bank's fruitless bid for Standard Chartered in 1986, the structure of UK banking has been left largely unchanged for far too long. There are too many banks in the UK and it is possible to envisage at least half of the main High Street banks losing their independence over the next few years.

The well documented problems of Standard Chartered and the TSB mean that these two institutions are at the top of any list of potential takeover targets, and they will not be missed. Meanwhile, questions about Midland's future are likely to increase as the end of its standstill investment agreement with the Hongkong and Shanghai Banking Corporation approaches later this year. Some sort of merger is in the best interests of both groups. The Royal Bank of Scotland's share price is already signalling that it is an obvious bid target and the more that Lloyds Bank distances itself from its historical past overseas, the more it seems that it will end up being taken over.

The real importance of the Yorkshire Bank takeover is the price – close to three times book value and 13.8 times earnings. The days when UK retail banks would happily agree to be taken over at below net asset value is long since gone. For a sector which rarely trades at a premium to book value, this can only be good news.

Global equities

In an era of supposedly global investment, it is surprising that there is not more rigorous analysis of the discrepancies in value between international equity markets. The US fund management group, GMO Woolley, has attempted to do the job by breaking down the different components of investment return. First comes the value-based return, consisting purely of real earnings growth plus the dividend yield. Then comes the revaluation return, consisting of changes in the market p/e and currencies.

Analysing the period 1969-89 for the US, Japan, West Germany and the UK shows the value-based returns for the four markets remarkably similar. The best, somewhat surprisingly, is the UK, with a total of 7.8 per cent made up of real annual earnings growth of 2.4 per cent and dividend yield of 5.3 per cent. The returns in the other three countries are grouped closely around the 5 per cent level; higher real earnings growth in Japan is counteracted by a lower dividend payout.

It is the revaluation element of return which has enabled Japan to outperform over the last 20 years. The yen's strength has helped, but the main growth has come from the upgrading of p/e ratios on the Tokyo market. The latter factor has provided an average boost of 8 per cent per year compared with minus figures for both the UK and the US.

The outperformance may be partly due to the starting date. The late 1960's saw the all-time peaks (in inflation-adjusted terms) of the US and UK markets, while the Japanese economic miracle had not been fully grasped by international investors. But the same effect can also be demonstrated over the last 10 and five years. The US has lagged behind the other markets over all three periods, while the UK has roughly matched Germany both in terms of real earnings growth and total real return.

The obvious question is whether the Japanese outperformance is sustainable, or whether, as markets grow more capable of efficient arbitrage, the gap will narrow. To an extent, the differential was reduced in 1989, more because the other markets started to catch up than because Japan slipped back. But there is no sure reason to suppose that the gap will be further reduced.

It might be argued that the growth in Japanese p/e ratios has been caused by low interest rates pushing savings into equities rather than cash. In fact, of the four countries Japan has seen the highest real interest rates over the period – 3.4 per cent against 2.4 per cent for the US. Nevertheless, it may well be that the low rates of inflation and nominal interest rates in Japan sustain equity values. The lower discount rate which investors would apply to future Japanese, as against UK or US, cash flows would result in a higher present value of Japanese shares. But if nominal Japanese interest rates keep rising as they have done lately, so much the worse for equities.

Clashes in Azerbaijan continue

Continued from Page 1

Baku city executive committee.

The television station in Baku, which had been taken over by Azerbaijani nationalists, was rocked by an explosion on Friday, blamed by the military on the nationalists, and by the latter on the military. Broadcasts had not resumed last night.

In Nakhichevan, nationalist Azerbaijanis seized control of the television station to broadcast an appeal in seven languages against "the genocide of Moslems" in the region.

Meanwhile, thousands of Azerbaijain Communist Party members were burning or returning their party cards. Soviet television last night showed pictures of a rally in the city of Gandzha (formerly Kirovabad) with Communist Party members publicly burning their cards.

The military action has been bitterly criticised for apparently being taken not to stop the violence, but to defend the Communist Party against a threat to its power.

Diplomats try to end impasse over Hong Kong constitution

By John Elliott in Hong Kong

BRITAIN and China are involved in intense diplomatic negotiations to try to end an impasse over the future constitution of Hong Kong. This follows Peking's decision on Saturday to restrict severely the territory's democratic development from 1997, when China regains sovereignty.

Peking-dominated drafters of the Basic Law, which will form Hong Kong's constitution after 1997, decided on Saturday that only 18 people in Hong Kong's 60-seat legislature should be directly elected in 1997, and that their power should be curtailed by a two-tier voting system which would give blocking powers to indirectly-elected members.

The present system is a mixture of representatives appointed by the Governor and indirectly-elected members nominated by professional groups. There are currently no directly-elected members.

Peking also shocked the UK and Hong Kong at the weekend by stating that foreign nationals should fill only 15 per cent of the legislature's seats. This is intended to bar people who gain a right of abode under the UK's plan to offer British passports to up to 225,000 people.

Limited concessions were introduced for the composition of the legislature in 1999 and 2003, by which time 50 per cent would be directly elected. But the overall package was criticised by Hong Kong's drafting representatives and is unacceptable to majority opinion in the colony.

The Peking-London talks are aimed at finding a compromise which will enable the two countries to agree on a progressive introduction of democracy, with the two countries' plans converging in 1997.

If agreement is not reached, the UK is considering announcing 20 seats for next year and leaving a decision on 1995 until later.

The UK's target, which is in line with broad Hong Kong opinion, is believed to start with at least 20 seats in 1991. This would rise to 24 seats (40 per cent) in 1995 and continue through the 1997 change-over, converging with China's system, which would then go fairly quickly to 50 per cent.

The target of the current behind-the-scenes diplomacy is to reach agreement by February 12, when the full Basic Law Drafting Committee meets for its final plenary session.

The law goes for ratification to the Standing Committee of the National Peoples' Congress in Peking in March or April.

● There were reports yesterday that the US would change tactics over its opposition to the British policy of forcibly repatriating Vietnamese "boat people" who have escaped to Hong Kong.

State Department officials said that at an 18-nation meeting in Geneva tomorrow the US would relax its current stance of outright opposition, in return for British agreement to halt involuntary repatriation for a year.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	Dallas †	C	5	41	Madeira	F	17	63	Prague	F	7	45
Algiers	C	13	55	Dublin	C	13	55	Madrid	S	6	43	Reykjavik	Dr	3	37
Amsterdam	C	11	52	Dubrovnik	S	11	52	Majorca	S	15	59	Rhodes	S	11	52
Athens	S	11	52	Edinburgh	C	12	54	Malaga	S	15	59	Rio de Janeiro		-	-
Bahrain	S	15	59	Faro	S	15	59	Malta	S	13	55	Rome	S	11	52
Barcelona	S	7	45	Florence	S	10	50	Manchester	R	11	52	Salzburg	C	4	39
Belfast	C	11	52	Frankfurt	F	8	46	Melbourne	S	20	68	S'Francisco †	S	4	39
Belgrade	S	7	45	Geneva	S	5	41	Mexico City		-	-	Santiago		-	-
Berlin	R	9	48	Gibraltar	S	16	61	Miami †	S	23	73	Seoul	Sn	-2	28
Biarritz	S	13	55	Glasgow	R	11	52	Milan	Fg	3	37	Singapore	F	30	86
Birmingham	C	12	54	Guernsey	C	11	52	Montreal †	C	-15	5	Stockholm	S	0	32
Blackpool	C	12	54	Helsinki	C	-5	23	Moscow	C	2	36	Strasbourg	C	8	46
Bombay	S	32	90	Hong Kong	C	14	57	Munich	C	8	46	Sydney	C	22	72
Bordeaux	S	5	41	Innsbruck	F	4	39	Nairobi	C	22	72	Tangier	F	16	61
Boulogne	C	10	50	Inverness	F	12	54	Naples	S	11	52	Tel Aviv	C	13	55
Bristol	Dr	12	54	Isle of Man	R	11	52	Nassau		-	-	Tenerife	S	20	68
Brussels	C	11	52	Istanbul	S	6	43	Newcastle	C	13	55	Tokyo	S	6	43
Buenos Aires		-	-	Jersey	C	10	50	New Delhi	S	23	73	Toronto †	Dr	-5	23
Budapest	C	7	45	Johannesburg	F	25	77	New York †	R	2	36	Tunis	F	14	57
Cairo	F	17	63	Las Palmas	F	20	68	Nice	S	14	57	Valencia	S	13	55
Cape Town	S	23	73	Leeds	C	14	57	Nicosia	F	14	57	Venice	S	8	46
Cardiff	C	12	54	Lisbon	S	9	48	Oporto	F	11	52	Vienna	R	8	46
Chicago †	Dr	1	34	Locarno	S	7	45	Oslo	S	3	37	Warsaw	C	5	41
Cologne	C	11	52	London	Dr	12	54	Paris	C	8	46	Washington †	C	7	45
Copenhagen	C	8	46	Los Angeles †	S	7	45	Peking	S	-1	30	Wellington		-	-
Corfu	S	16	61	Luxembourg	C	7	45	Perth	S	31	88	Zurich	F	5	41

C – Cloudy. Dr – Drizzle. F – Fair. Fg – Fog. H – Hail. R – Rain. S – Sunny. Sl – Sleet. Sn – Snow. T – Thunder.

† Noon GMT temperatures

EC backs Soviet call for early summit

Continued from Page 1

standing for the enormous dilemmas. We just hope that the military intervention is in proportion to the problem," Mr Hans van den Broek, the Dutch Foreign Minister, said after the meeting.

Out of the EC meeting emerged "a common desire to help Mr Gorbachev and to support his policies for reform and democracy," said Mr Roland Dumas, the French Foreign Minister. But the 12 were also anxious to plan a new security structure for Europe, beyond an arms reduction agreement later this year, that could leave Nato and the Warsaw Pact increasingly redundant, said Mr Gianni di Michelis, the Italian foreign minister.

The CSCE conference which produced the Helsinki Final Act in 1975 had, said Mr Collins, proved its worth in letting the 33 European countries plus the US and Canada protect their legitimate rights. However Mr Douglas Hurd, the UK Foreign Secretary called for careful preparation before the summit.

For all the talk of common positions Mr Jacques Delors, the Commission president, provoked some disagreement when he repeated his view that East Germany was a special case in Eastern Europe and could join the Community before 1993. All other states, including the recently-rebuffed Turkey, have been told they stand no chance of joining the EC until it has finished its single market plan.

Mr Delors said it was his personal opinion, as distinct from that of the Commission, that East Germans - as potential West German citizens - deserve special treatment and would have three options. After their elections in May, they could have formal association with Brussels, membership as the 13th EC state, or membership as part of Germany.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday January 22 1990

INSIDE

Investors will feel pain of break-up

The appointment of an administrator means Dominion International, the financial services and property company, will now inevitably be broken up. It is clear, however, that shareholders are unlikely to recover any of their investment and, with buyers being sought for profitable subsidiaries, the effort to assign blame for the company's collapse is only just beginning. At the centre of the controversy, but no longer of the company itself, is Mr Max Lewinsohn (above), creator of Dominion in its present form. Clay Harris reports. Page 21

New broom sweeps in at Bilbao

Mr Mariano Rubio, the Governor of the Bank of Spain, has named Mr Emilio Ybarra y Churruca as president of Banco Bilbao Vizcaya (BBV), the country's biggest bank. The move comes after more than a month in which BBV's board had been unable to resolve its leadership crisis. Page 19

Lovell set to sell holding

YJ Lovell is expected to sell its 10 per cent holding in Higgs and Hill, following the failure of the £167m hostile takeover bid for its competitor in the UK housing and construction industry. The disposal became the most likely option when it was announced on Saturday afternoon that Lovell could claim acceptances for only 34.8 per cent of Higgs and Hills capital. Page 21

The secrets of success

Recent deals involving British Aerospace and Thomson-CSF in missiles, and Boeing and three Japanese heavy engineering groups in aircraft development, suggest joint ventures and other non-equity forms of collaboration have become part of a large company's repertoire. Yet bringing together a market and a product technology does not guarantee success, even when leading companies are involved, as the recent collapse of the Intel-Siemens venture shows. This week's Business Column gives a check list for the management of successful joint ventures. Page 32

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Japan's medicine men set sights on the West

Peter Marsh on growing links between drug groups

"EVERYONE is looking at everybody else," says Ms Helle Bechgaard, president of Benzon Pharma, a Danish drugs company. She is talking about the swirl of proposals for equity deals and other alliances that over the past year has been a feature of the world's $130bn-a-year pharmaceutical industry.

The drive to set up such partnerships shows no sign of abating. And according to many observers in the business, Japanese drugs companies, which up to now have had little impact outside their own country, will play an increasing part.

In the medicines industry, Japan has a lot of catching up to do. Only one Japanese company – Takeda – is among the top 15 drugs groups worldwide. And Japanese-developed medicines are thought to account for just 2 per cent of the $70bn-a-year pharmaceutical market in Western Europe and the US.

People in the West's drug industry, however, view the Japanese with respect. They are especially impressed by the way many Japanese companies are increasing their research spending in new areas of healthcare therapies, in biotechnology and cancer treatments for instance. "The Japanese are going to be considerable competitors," says Mr Gerard Fairtlough, chief executive of Celltech, a leading UK biotechnology company.

Celltech itself is up for sale and Japanese drugs companies – possibly Chugai or Yamanouchi – have been touted as possible buyers. Bids for Celltech, expected to come from a number of drugs groups around the world, are likely to be finalised over the next few weeks. And any deal would follow a series of drug-industry shifts over the past year. These have included mergers involving large companies, such as the US's SmithKline Beckman and Beecham of Britain.

Last week Rhône-Poulenc, the state-owned French chemical and medicines company, said it would acquire a majority stake in Rorer, a medium-sized US drugs group, to create a new business with annual sales of about $3bn. At the same time Sankyo, Japan's second biggest drugs company, announced plans to spend £78m to buy control of Luitpold-Werk, a West German pharmaceutical maker. This was one of the biggest incursions yet by the Japanese medicines industry into the West.

Behind the moves is one central preoccupation by virtually all drugs businesses: the escalating costs of research and development (R&D). These costs, which often account for 10-15 per cent of a company's turnover, are rising faster than sales, partly because of increasingly onerous development programmes insisted on by government authorities to ensure new drugs are safe.

Another factor is that drug technology is becoming more complex, and therefore more expensive.

In this climate, drugs companies are trying to maximise sales of a new product by marketing in as many countries as possible. In this way, they can gain a greater return for the $100m which it can cost to bring a new drug on to the market.

That explains the moves towards a concentration of resources in the drugs industry in which large groups merge both their sales and R&D teams. It also underlines the rationale for looser alliances in which companies join forces on specific projects, either in research or marketing.

When Japanese drugs groups have in the past had especially promising products, they have generally sold them in the West via licensing deals. In such ventures, a partner with an established sales force in either the US or Europe agrees to market the drugs for a large slice – which may be up to 70 per cent – of total revenues.

But this pattern is changing. All the big six Japanese drugs groups – Takeda, Sankyo, Tanabe, Fujisawa, Fujisawa and Yamanouchi – are looking increasingly towards establishing their own sales operations outside Japan. That can be done either by hiring people in a step-by-step approach or by taking over existing businesses.

The Japanese are showing increasing interest, too, in linking with research teams in Western companies to gain insights into new ideas in areas such as biotechnology and medical diagnostics.

Manufacturing does not figure highly in the overseas strategies of Japanese companies. Most pharmaceuticals, or at least the most important chemical ingredients, are made in sufficiently low volumes and at high enough costs to justify the expense of shipping them long distances.

Much more central is the question of marketing. Large drugs companies commonly employ up to 2,000 sales people (or "detail staff") in a big market such as the US or the whole of Western Europe. The job of these people is to form relationships with the medical community in the countries concerned. Companies need a good rapport with doctors, both in setting up clinical trials in a specific nation and in convincing physicians to prescribe their products once the trials have finished.

Establishing a detail force of this sort in the drug industry is highly arduous and cannot be achieved overnight. That explains the attraction of buying an existing marketing operation.

Not just the Japanese but other drugs companies with only a limited presence in the European Community are thinking hard about philosophies of this sort. That applies especially to companies in Scandinavia which are interested in expanding in the EC prior to the completion of the internal community market after 1992.

MOVES BY JAPANESE DRUGS GROUPS IN US AND EUROPE

March 1988. Fujisawa buys majority stake in Kling Pharma, West German drugs company, for £33m.
December 1988. Sumitomo invests $10m in Regeneron, US drugs company researching neurological products.
March 1989. Yamanouchi buys Shaklee, US vitamin and health-care company, for $395m.
April 1989. Eisai sets up European sales and marketing base in London.
May 1989. Chugai takes £3m stake in British Bio-technology, UK biotech company.
October 1989. Eisai opens US drug research unit in Massachusetts.
October 1989. Fujisawa buys LyphoMed, US drugs company, for $750m.
October 1989. Dainippon signs joint venture with Rhône-Poulenc of France on marketing Dainippon products in Europe.
November 1989. Chugai buys Gen-Probe, US diagnostics company, for $100m.
November 1989. Daiichi agrees development project with Chiron, US biotech company.
November 1989. Chugai agrees partnership with Rhône-Poulenc on biotechnology drug.
December 1989. Japanese drugs companies discuss informal European-based association to spearhead moves into Europe.
January 1990. Yamanouchi signs licensing agreement with Microgenics, US company in medical diagnostics.
January 1990. Sankyo pays £78m for majority stake in Luitpold-Werk, West German drugs company.

Pensions, taxes and the Wimbo factor

By Anthony Harris in Washington

The job of reporting from Washington has become unusually difficult in the last few weeks, because of the invasion of Panama. Perhaps it is envy left over from the days when we could get away with gunboat diplomacy, but I have yet to meet a foreign journalist who regards this exercise favourably.

To outsiders it looks like an absurd military overkill, whose declared objective – the arrest of General Noriega – was surely a breach of international law. If this was the President's attempt to shake of a "wimp image", it failed with us. What we see now is not so much President Rambo as President Wimbo.

However, that is not how it appears to at least 80 per cent of Americans. They strongly approve the Panama action, and that could have an important effect on policy decisions in the next few months. For some time to come, the Democratic whips will probably find it hard to assemble the votes to oppose anything Mr Bush badly wants, or to back any proposal he dislikes.

We will soon know. The budget process gets its official start when the President launches his own proposals next week. These will include a cut in the tax on capital gains, and a new, seemingly half-baked scheme to encourage private saving. Both of these will no doubt pass, despite their lack of any serious merit. The President's capital gains cut, undermining the level field cleared in 1986, means that tax avoidance, through schemes which substitute capital gains for income, will pay once more (as soon as there are any gains to tax). The consensus among economists is that a loss of revenue is certain, while any gain in real capital formation is at best questionable.

There is a sensible alternative: index capital gains rather than cut the tax on them. This would offer some investment incentive, but no loophole: the idea, however, seems to have got lost in the muddle over this proposal last year; and Mr Bush wants something he can call a cut.

Meanwhile, Senator Daniel Patrick Moynihan has come up with a cut of his own. This would reverse the 1.1 per cent increase in the social security of the last seven years, and put the public provision of retirement incomes on to an openly acknowledged pay-as-you-go basis. This plan should have enormous partisan appeal for the Democrats, by pushing the President into a corner where he must oppose a tax cut benefiting ordinary wage earner, while stumping up for a capital gains cut.

It is not surprising, then, that the White House initially admitted a fear of a pro-Moynihan "stampede". His proposal is being supported not only by liberals who want to embarrass the President, but by some leading conservative lobbies, such as the Heritage Foundation, which support the proposal on principle. They regard funding as an illusion, and the present use of funds as a fraud.

However, Mr Bush, demonstrating his new decisiveness, has come out squarely against the plan, explaining that it would involve either a rise in other taxes, or a cut in benefits. Thanks to Panama, he may well get away with these half-truths, and check the stampede before it is more than a little restless shuffling.

All the same, the issue is worth a closer look. The principle involved is one that is debated wherever retirement incomes are discussed: can they be "funded" in any real sense, or are they inevitably a charge on the national income available at the time they are paid? To put it another way, how can money taken in tax today generate extra income tomorrow? If we are concerned with the whole economy, rather than with the claims one group can make against another, the answer is clear. Official "saving" can only generate extra income if it is used to finance productive investments which would not otherwise be made.

It is very unlikely that money collected for the US social security scheme would be invested, Japanese fashion, in private sector production, at home or abroad. Indeed, Republicans would resist any attempt to invest in this way as blatant socialism. It is also unlikely that the Republicans would spend it on the infrastructure, which might well do more than the building of new factories to encourage future productivity, though some Democrats might.

Instead, the chances are that the surplus that has now begun to appear in the Fund will be invested purely in Treasury stock (it would need a new law to permit any switch), and deployed simply to conceal the size of the deficit on the rest of the government's accounts – just as it is being used now.

It ought to be possible to stop this fraud; indeed, the President made a campaign issue of it in 1988. Senator Phil Gramm, a right-wing Republican, once floated a proposal to protect the fund from these raids by re-writing the Gramm-Rudman target which he co-sponsored in terms which excluded the social security balance. The budget director, Mr Richard Darman , has proposed making a similar change once the existing deficit – which includes the social security surplus – is eliminated.

However, the Gramm plan has been opposed by many conservatives on the grounds that it would compel the President to raise taxes to cover the present shortfall, while providing Congress with a huge new pork-barrel of money to spend in the interests of their constituents. The Darman plan to achieve honesty by easy instalments would run in to the same trouble later. These objections are arguments for Moynihan: if Washington cannot be trusted to handle the surplus, then it should not be accumulated in the first place. However, the President will defend the status quo for fear of being forced to raise some other tax. The retired lobbly will support it, because its most powerful argument against any attempt to cut pensions or tax them is that they are the fully bought property of the pensioners. The alliance of the victorious President and the grey lobby looks irresistible.

There is one power centre which is not over-awed by Mr Bush's new clout. The Federal Reserve will do what it sees as its duty, and the White House is already openly grumbling about the high interest rates involved.

But will the Fed view change? Governors Wayne Angell and Manley Johnson have both now stated that the only verdict which impresses them is that of the bond market: but as soon as the market learned of this responsibility, it fell a full point.

We could be in for a nasty stand-off, while the governors wait for a sign that the market supports their policies against inflation, while the markets wait for the governors to cut rates. Or perhaps politics will resolve this tangled piece of economics too.

Economics Notebook

The land of rising unease

TO THE bemusement of both government and private sector economists, the Japanese economy has recently taken on some of the characteristics of that of a badly managed underdeveloped country. A flight of capital has been driving down the exchange rate and forcing the authorities to increase interest rates in a bid to stave off inflation. The spectre of political instability following next month's general election has also been raised, adding to a general sense of unease.

Of course, the comparison is a ridiculous one. The key difference between Japan and a banana republic is that in Japan the latest economic trends are a function of the economy's extraordinary strength and success rather than any weakness. To wit, the country's industrial companies and investment institutions are so flush with cash that, more and more, they have to look abroad for investment opportunities.

They have been doing so with increasing relish in recent years and, despite the country's massive trade surpluses, they have managed to invest substantially more abroad than they have been earning. Japan's net long-term capital outflow in 1988 was $130.9bn compared with a trade surplus of $95bn.

Oddly, although the surplus outflow has existed for a number of years, it has only become a major factor in the foreign exchange markets in the past year.

Until then, Japanese investors, fearing further declines in the dollar's value, hedged their outward investments as much as possible. Last year, they grew more confident about the stability of the dollar and removed most of their forward cover. This had the effect of boosting demand for the dollar and, perversely, weakening the yen.

The Japanese authorities were caught completely off guard by these trends and are still groping for ways to deal with them.

They had been operating on the assumption that the trend of trade flows would underpin a persistent strengthening of the yen which, in turn, would help keep inflation under control in Japan and contribute to the reduction of the country's trade surpluses.

When last spring the value of the yen started to decline, they assumed this was an aberration and responded in the conventional way by tightening monetary policy.

However, by the end of last month, after three rises in the official discount rate in eight months had failed to remove the aura of frailty hovering around the once mighty yen, they were feeling rather sheepish.

That things have not worked out as they expected is perhaps a surprise, but it may turn out to be a salutary one. Both government and private sector economists have probably been too eager in the past to embrace the view that the Japanese authorities have more power than most to make their economic policy wishes become reality.

In fact, as the country's economy in general and the flow of investment funds in particular have become liberalised, the power of the authorities to influence events was bound to fade.

Their transparent failure to control the exchange rate in recent months has undoubtedly contributed significantly to the general sense of unease that has emerged both in Japan and abroad about the prospects for the Japanese economy and financial markets. Indeed, if their moves to try and influence the exchange rate have proven unsuccessful so far, the rapid rise in interest rates in recent months has begun to have a substantial impact on Tokyo financial markets. The bond market has plunged this month and the Nikkei average of 225 leading shares on the Tokyo Stock Exchange has lost about 5 per cent of its value since the beginning of the year.

Market pundits have raised all sorts of reasons for these slumps – the prospect of political instability in Japan after next month's election, fears about the reform movement in the Soviet Union, worries of heightened trade tension between Japan and the US – and these issues are certainly affecting market sentiment.

But most economists believe that the Japanese economy will remain extremely competitive for some years yet and that the decisive factor in today's markets is the enthusiasm of the country's huge institutional investors for overseas investment.

Some suspect this will fade as soon as US interest rates are lowered or it becomes apparent that they will not go lower. Others are more pessimistic, suggesting that these institutional investors have developed very sophisticated techniques for maximising returns by bouncing in and out of various currencies and instruments.

They fear that the Bank of Japan will have to raise domestic interest rates to levels equal to those available abroad to entice money back home. Such a move would, of course, stifle demand unnecessarily, a development which would not please anyone, but may be inevitable in an era when financial market trends can diverge so substantially from economic fundamentals.

Ian Rodger

THIS WEEK

Friday's UK trade figures vie with the US gross national product figures for the attention of financial markets this week.

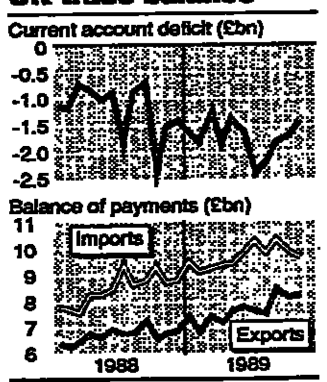
Following last month's improvement in the UK current account deficit, to £1.4bn from £1.7bn in October, analysts are looking to see whether the shortfall will shrink for the fifth successive month in December. However, the consensus of analysts' forecasts prepared by MMS International, the financial research company, points to a slight increase to £1.5bn.

Last week's news of a strong bounce in provisional UK retail sales in December has prompted fears of a renewed jump in imports. The strength of the Deutsche-mark is not expected to have buoyed up export volumes at this stage. But some analysts believe the current account could benefit from a revival in oil exports.

With markets concerned about slow growth in the US, the GNP figure, also out on Friday, will be closely watched. Analysts are expecting only a fractional rise of 0.4 per cent in the fourth quarter. Natural disasters – Hurricane Hugo, the San Francisco earthquake, and the "cold snap" – have combined with a recent run of weak data and strikes in key industries. Some analysts are predicting even more sluggish growth, and speculating that the Fed might have to ease interest rates.

Today, UK industrial production figures for November are expected to point a slowing economy with a 0.1 per cent decline in output by the so-called production industries. These comprise the manufacturing, energy and water sectors. Manufacturing output alone is expected to be flat during the month. Recent Confederation of British Industry surveys have reported a marked drop in output growth expectations, while the underlying rate of manufacturing growth has slowed to around 3 per cent in October from seven at the beginning of the year.

UK trade balance



Accompanying the output data will be the latest estimates of unit labour cost and productivity increases in manufacturing.

West German figures that could give an indication of inflationary trends are likely to include money supply and export and import prices for December. Other events and statistics (with MMS consensus figures in brackets) include:

Today: West Germany, annual economic report.

Tomorrow: US, the federal budget balance for December ($14bn in deficit). UK, building societies' new commitments for December. East-West economics commission meets.

Wednesday: US, the Federal Reserve publishes its Beige Book for Federal Open Market Committee meeting on February 6 and 7. UK, cyclical indicators for December.

Thursday: US, import and export prices for December. Japan, personal income and consumption for November. US, employment cost index, fourth quarter.

Friday: Japan, industrial production for December; UK current account, minus £1.4bn in November; US durable goods for December (minus 1.5 per cent). UK, engineering sales and orders at current and constant prices for December. UK, quarterly house purchase statistics, fourth quarter.

INTERNATIONAL CAPITAL MARKETS

BANK LENDING AND COMMERCIAL PAPER

Campeau failures make for caution

THE NEW decade is starting too slowly for the liking of many international bankers, with events conspiring to make prospects for their money-spinning mergers and acquisition lending look poor.

Appetite for anything but the most cautious of leveraged financing is weak among banks, as some are being forced to make provisions for leveraged deals which have gone awry on both sides of the Atlantic. Non-bank investors for new junk bonds have also gone to ground amid well-publicised problems, such as the Chapter 11 filings at Campeau.

Yet stock markets worldwide do not appear to have adjusted to the bearish signals being sent by this and the collapse in the world's long-term bond markets this year. Unless and until that stock market adjustment takes place, it is unlikely that debt-financed bids will be able, except in exceptional circumstances, to provide the premium over stock market valuations necessary to launch bids.

At the least, banks are taking much more care over the structures of such financings in the belief that, in the right circumstances, cautious, well-conceived deals may still work.

The leveraged buy-out financing described last week for Swedish Match is being looked on as a market bellwether, although one which may not be easy to replicate. The $409m in senior loans, which are protected by nearly $70m of mezzanine or junior loans, carry in part a relatively generous 2 percentage point interest margin.

The fact that the mezzanine has been placed suggests potential investors have not completely disappeared.

Swedish Match is also a well-known name among international banks. Its businesses are generally regarded as mature, suggesting they generate significant cash flow which can be applied to repay debts, and are spread across a number of economies and sectors. In other words, it should be reasonably well proofed against difficulties suffered in any one economy.

Outside the leveraged area a number of other corporate deals have emerged, although some were syndicated last year. The West German subsidiary of Solvay of Belgium, for example, signed a DM1.6bn deal last week arranged by Deutsche Bank Luxembourg.

Amerada Hess is also due to sign this week a $750m eight-year revolving credit, syndicated last year by Chase Manhattan and Citicorp. Those details which have emerged suggest an eight-year final maturity with repayments starting in 1994. There is a commitment fee of ⅛ per cent and an interest rate margin of ⅜ point, which may rise in certain circumstances to ½. The funds are essentially to refinance some existing debt.

New to the market is Boise Cascade of the US, which has mandated National Westminster Bank and Bank of America to raise $750m.

Manufacturers Hanover has syndicated an Ecu65m loan for Sparbanken Sydjylland of Denmark, which looks likely to be increased.

In the sterling commercial paper market The Mortgage Corporation, the UK specialist mortgage lender owned by Salomon Brothers, has after only three months increased the size of a £150m programme to £250m. Issuance expanded to £148m in that period – about 3.5 per cent of the total market – which the company attributes to its flexibility.

NatWest Capital Markets and S.G. Warburg Securities are dealers for the paper, which is guaranteed by Salomon Inc and carries an A1/P1 rating.

Last year's Budget deregulation of the sterling CP market broadened the number of potential issuers significantly.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	475.0	75.0	190.0	10,128.6
Prev	371.0	0.0	0.0	11,757.8
Other	1,322.6	40.9	522.9	3,327.7
Prev	1,334.7	0.0	40.5	6,627.0
Secondary Market				
US$	10,902.5	977.9	3,822.5	6,035.4
Prev	7,057.9	927.7	4,016.0	5,608.4
Other	19,956.3	1,011.4	6,211.4	44,742.2
Prev	12,663.9	763.7	4,194.0	26,009.5

	Cedel	Euroclear	Total
US$	10,566.4	22,040.5	32,606.9
Prev	8,719.9	21,018.9	29,738.8
Other	31,256.7	45,878.7	77,135.4
Prev	22,031.7	29,621.6	51,653.3

Week to January 18, 1990

Source: AIBD

INTERNATIONAL BONDS

West German trading wallows in pessimistic mood

THE WEST German bond market is holding hard to its pessimism, in striking contrast to the euphoria of the political reception given to liberalisation waves in the East bloc.

In buoyant mood, foreigners have piled money into the thin West German stock market, pushing the FAZ index to its highest level since April 1986. But bonds continue on the steep downwards track which has been their doggedly steady path since early last year.

German bund futures prices have declined precipitously this month to lose 2¾ of a point since New Year, breaking through the key technical support of 88.70 last Wednesday. Bunds have picked up 39 basis points in yield to a level of 7.71 per cent.

German bunds are not alone in their steep decline as investors have lost confidence in bond markets around the world this year. The fall in bund prices must also be considered against a background of a 40 to 50 basis-point increase in Japanese bond yields.

However, German investors hold on tight to inflation fears as they persistently construe any news from eastern Europe as bad news for inflation.

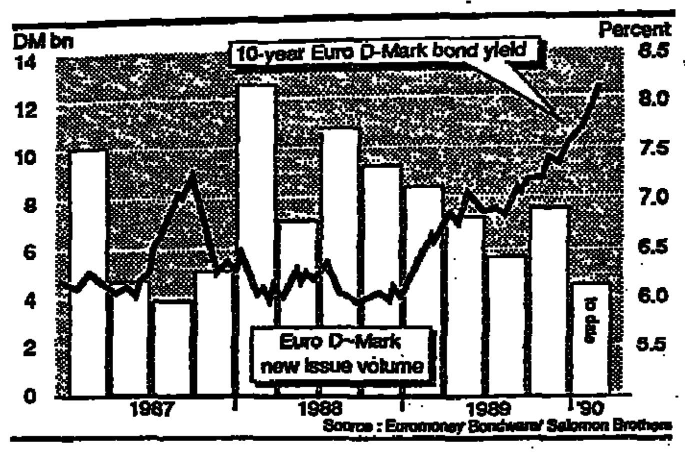
The opening up of eastern Europe implies a huge demand for new capital, almost all of which will be financed in West Germany. Add to this the clamour for consumer goods which grips the surge of workers from East Germany to the West and the scene is set for an overheated economy.

Inflation is currently running at 3 per cent in Germany, although worries of medium-term inflation have led to the Bundesbank tightening money supply. The market remains concerned about a half or even 1 per cent rise in interest rates as contract talks with the country's metal workers' union loom in March.

With German money market rates high – the Lombard rate is at 8 per cent and the discount rate at 6 per cent – few investors are interested in holding bonds. "Although an inverted yield curve is a way of life here, the Germans are not used to it," believes Mr Steven Bell, chief economist at Morgan Grenfell in London.

Many German bunds are held by foreigners reluctant to take a long-term investment stance when world interest rates are so high. West Germany has few investment institutions which will hold on to bonds whatever is happening in the money market.

The German bund market is also dominated by a liquid futures market where technical factors often give the direction.



Source: Euromoney Bondware/ Salomon Brothers

With a depressed bund market, few foreign investors are interested in holding Eurobond issues given the lack of demand for long-term D-Mark paper. New-issue activity has almost dried up in the German Eurobond sector with the exception of domestic floating-rate issues.

There have been about seven floating-rate issues in Germany this year, the latest of which – a DM500m deal for Ireland – was brought to the market on Friday by Dresdner Bank. Floating-rate paper gives investors a way to keep up with volatile interest rates.

The Bundesbank gave another indication of its tight credit policy last week when it drained DM4bn from the banking system, and market players believe it is unlikely to ease until this year's round of wage negotiations are over.

More than half West Germany's wage contracts are up for renegotiation this year with IG-Metall – the metal workers' union – set to kick off with an agreement that is seen as a benchmark throughout the industry. IG-Metall is in a strong position to push its demand for a 9½ per cent pay rise, accompanied by a shorter working week – which would lead to a 12½ per cent rise in wage costs.

The metal workers exchanged a pay rise in the last round of negotiations – three years ago – for a shorter working week. But they now face employers with bursting order books and strong cash flow.

Employers are not averse to granting higher pay rates than the Bundesbank would like, given their healthy business prospects. But the central bank is trying to keep the benchmark down to between 5 and 7 per cent. It has a difficult job on its hands and bonds could continue to tread a pessimistic path.

Deborah Hargreaves

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Daiwa House Industry♦◆	800	1995	5	2⅞	100	Nomura Int.	2.875
Daiwa Bank§◆	100	1995	5	3¾	100	Nomura Int.	3.750
Denmark, Kingdom of◆	100	1995	5	8⅞	101¾	Goldman Sachs Int.	8.432
Trips Ltd-Series J(c)‡◆	42.48	1991	1½	⅛	100⅞	Toyo Trust Int.	-
Dong Ah Con.&Ind.(x)§◆	50	2004	15	1¼	100	Swiss Bank Corp.	1.250
AUSTRALIAN DOLLARS							
Aegon NV◆	250	2000	10	Zero	30.45	Bankers Trust Int.	12.626
HONG KONG DOLLARS							
World Bank◆	500	1996	6	8.95	100½	Paribas Asia (1986)	9.036
D-MARKS							
Austria(a)‡◆	700	2005	15	-15bp	100¼	Salomon Brothers	-
Swedish Export Cr.(b)◆	75	1993	3	3	101¼	Bankers Trust	2.562
Great Belt A/S(o)‡◆	200	2000	10	(o)	100	Morgan Stanley	-
Bk For.Econ.Aff. USSR◆	500	1995	5	8⅞	100	WestLB	8.875
Ireland(p)‡◆	500	2000	10	-⅛	100	Dresdner Bank	-
Bk of Tokyo(Curacao)‡◆	120	1996	6	(u)	102	Bk of Tokyo(Germany)	-
SWISS FRANCS							
Kanagawa Electric(d)★★§◆	70	1995	-	Zero	100	B.della Svizzera It.	-
Mori Steel Spring(s)★★§◆	35	1994	-	Zero	100	Citicorp Inv. Bank	-
Daiwa Bank(n)★★§◆	150	1995	-	¼	100	SBC	0.250
Kyushu Leasing(h)★★§◆	75	1994	-	¼	100	Nikko (Switz)/BSI	0.250
Misawa Van Corp.(i)★★§◆	50	1994	-	¼	100	Credit Suisse	0.250
Shiga Bank◆★★§◆	200	1994	-	¼	100	Credit Suisse	0.250
Hibiya Eng.(r)★★§◆	50	1995	-	Zero	100	Daiwa (Switzerland)	-
Mitani Sekisan(v)★★§◆	40	1994	-	Zero	100	Yamaichi Bk (Switz)	-
Tomiya Apparel(w)★★§◆	35	1994	-	Zero	100	Banca del Gottardo	-
Saikaya Co.(m)★★§◆	38	1994	-	Zero	100	UBS	-
Nissen Co.(l)★★§◆	50	1994	-	Zero	100	Bank Leu	-
Toronto-Dominion Bank◆	100	2000	-	7	100½	UBS	6.929
Polly Peck Int.Fin.◆	150	1997	-	8¾	100	S.G. Warburg Soditic	8.750
S'tomo Corp.Leas.(k)★★§	100	1994	-	Zero	100	SBC	-
ECSC★★◆	67.5	1996	-	7½	99¾	SBC	7.553
ECSC★★◆	67.5	1998	-	7¼	100¼	SBC	7.208
Yokowo Mfg.Co.(l)★★§	47	1994	-	¼	100	Nikko (Switz)/WPZ	0.250
Hamburgische LB★★◆	60	1997	-	7⅜	100⅞	Merrill Lynch	7.211
GMAC Canada★★◆	150	1997	-	7⅜	101⅛	UBS	7.165
DSL Bank★★◆	100	1995	-	7⅝	100¾	Credit Suisse	7.440
City of Montreal◆	125	2000	-	7¼	100	Wirtschafts-und Prbk	7.250
Tokyo Tekko Co.★★♦	110	1995	-	1	100	Credit Suisse	1.000
Aoyama Trading(y)★★§	350	1994	-	Zero	100	SBC	-
Moon Bat Co.(z)★★§	70	1995	-	Zero	100	Banca del Gottardo	-
Nakayama Steel Wks★★♦	130	1995	-	1	100	UBS	1.000
STERLING							
Compagnie Bancaire(j)‡◆	200	1995	5	(j)	99.80	J.P. Morgan Secs.	-
British Telecom.◆	200	2000	10	Zero	33.90	Shearson L'man Hutton	11.424
ECUs							
EIB◆	500	1997	7	10	100.20	UBS Phillips & Drew	9.959
Credit Local de France◆	125	1995	5	10¼	101¼	Credit Lyonnais	9.921
LIRE							
Sanyo Electric Fin.◆	100bn	1994	4	13	101.45	Banco di Roma	12.517
PESETAS							
World Bank◆	10bn	1995	5	13.45	101	B.Santander de Neg.	13.165
AUSTRIAN SCHILLINGS							
Austria♥‡◆	7bn	1993/02	12	-⅛	100	Raiffeisen Zentralbk	-
LUXEMBOURG FRANCS							
SDS Bank A/S★★◆	300	1993	3	9½	100⅝	BGL	9.252
Wereldhave NV★★◆	300	1993	3	10⅛	101¾	Credit Europeen	9.428
Copenhagen Handelsbk★★◆	300	1993	3	10¼	101¾	BGL	9.552
Bacob Finance NV★★◆	300	1993	3	10⅛	101¾	Banque UCL	9.428
YEN							
Mitsui & Co.(H.Kong)"◆	15bn	1994	4	10	101⅝	Bankers Trust Int.	9.493
Trips Ltd-Series H(e)◆	2.33bn	1993	3¾	7½	102	Toyo Trust Int.	6.663
Trips Ltd-Series H(e)◆	2.14bn	1999	9¾	8.1	102	Toyo Trust Int.	7.791
Christiania Bank(f)◆	2.9bn	1992	2	8¾	101½	Morgan Stanley	8.118
Toronto-Dominion Bank◆	7bn	1993	3	6.7	101⅛	Sumitomo Trust Int.	6.277
Trips Ltd-Series I(q)‡◆	11.07bn	1991	1½	20bp	100⅞	Toyo Trust Int.	-

★Not yet priced. ★★Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) 15bp under 3-month Libor. Call at par after 5 years and on coupon dates thereafter. b) Redemption linked to formula linked to FAZ index. c) ⅛ over 6-month Libor. d) Yield to put 3.238%. e) Reverse dual-currency. Unlisted. f) Redemption linked to Nikkei stock index. g) Yield to put 3.157%. h) Yield to put 3.138%. i) Yield to put 3.239%. j) Coupon pays 3-month Libor flat. Put from 1991 at 99.80 increasing 5bp p.a. Additional £100m on tap. k) Yield to put 3.239%. l) Yield to put 3.261%. m) Yield to put 3.279%. n) Yield to put 3.157%. o) Coupon pays 6-month Libid flat. Call after 5 years at 100 and on coupon dates thereafter. p) Coupon pays ⅛ under 6-month Libor. Call after 5 years at par and on coupon dates thereafter. q) 20bp over 6-month Libor. Unlisted. r) Yield to put 3.267%. s) Yield to put 3.262%. t) Yield to put 3.27%. u) 90bp over 6-month Libor first year then fixed 7.66% thereafter. v) Yield to put 3.278%. w) Yield to put 3.278%. x) Yield to put 5½%. Conversion price: 54,522 won. Ex.rate 684.6. y) Yield to put 3.225%. z) Yield to put 3.227%. "Redemption linked to Nikkei stock index. Unlisted. ♦Yield to put 3.168%. ♥Coupon pays ⅛ under 3-month Vibor. Renewable every 3 years from 1993 until maturity in 2002. Call Feb.1993 at 100 and on coupon dates thereafter. Sch4bn launched internationally. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

Tele-Communications plans new unit for asset transfers

By Janet Bush in New York

TELE-COMMUNICATIONS, the largest US cable television company, said late last week it was planning to spin off into a separate company most of its programming interests, some of its cable television systems, and other businesses.

The move was widely expected on Wall Street because of pressure from Washington, where there is a growing lobby of Congressmen concerned about the size of some cable companies following the industry's deregulation three years ago.

Tele-Communications serves about 25 per cent of US cable television subscribers. There are various bills being discussed in Congress which would force the company to reduce that share.

Mr John Malone, chief executive officer, said the purpose of the restructuring was to create a growth vehicle for shareholders, unencumbered by potential regulatory constraints.

The company's share price has for some time been considered undervalued and last November sunk with other cable stocks because of fears of reregulation.

Tele-Communications "A" shares trading in the over-the-counter market closed $2⅜ higher at $17⅝ on Friday. Analysts have put the fair value of the stock at about $36 a share.

Full details of the spin-off have not been finalised, including exactly which assets will be included in the new company. Among the interests likely to be transfered are a 22 per cent stake in Turner Broadcasting System, which includes common and preferred stock valued at about $950m.

Initially the company will have the same shareholders as Tele-Communications and may have many of the same officers and directors, which could pose a potential problem.

In its brief statement the company said the spin-off was subject to various factors, including "its consistency with the evolving regulatory environment."

Kellogg slips for first time in 37 years

By Janet Bush

KELLOGG, the US convenience food producer, has broken a 37-year record of profit increases by reporting a 12.1 per cent fall in net earnings for 1989, described by its chief executive officer as a difficult year.

Unaudited net earnings, before a substantial credit due to a change in accounting practice, totalled $422.1m against $480.4m in 1988. Implementation of a new accounting rule meant a one-off credit of $48.1m, boosting 1989 earnings to $470.2m. However, this was still 2.1 per cent below 1988 earnings.

Mr William LaMothe, chairman and chief executive officer, said that sales volumes of ready-to-eat cereals continued to run below expectations in the fourth quarter.

"We experienced a very difficult year and are disappointed that, after 37 years of increased earnings, our record was broken," he said. Net sales for 1989 were $4.65bn, up 7 per cent from $4.35bn a year earlier.

Fourth-quarter earnings totalled $57.9m or 47 cents a share, down 42.6 per cent from the same quarter a year earlier. Fourth-quarter sales were $1.08bn compared with $1.09bn in the year-earlier period.

Earnings in the final quarter were depressed by a one-off charge of $10m relating to the costs of cutting staff and the closure or sale of certain operations and related assets.

Charge tips LSI Logic into red

By Louise Kehoe in San Francisco

LSI LOGIC, the leading US producer of application specific semiconductors, recorded a loss last year after taking a charge for the restructuring of its manufacturing operations.

The chipmaker's net shortfall of $25m, compared with net income of $25m or 60 cents per share in 1988, stemmed from a pre-tax third-quarter charge of $43m associated with the restructuring.

Revenues for the period reached a record $547m, up 44 per cent from $379m in 1988.

In the fourth quarter the payment of net interest expense offset operating gains to produce a net loss of $1.7m or 4 cents, compared with income of $5.3m or 13 cents in the year-earlier period. Revenues in the quarter were $138.4m, up 16 per cent from $119.4m.

Mr Wilfred Corrigan, chairman and chief executive, said: "The past year started off well, but a summer slowdown in orders prompted the company to write off older, less efficient manufacturing capacity and reduce operating expenses.

"The worst is behind us."

Mr Corrigan added that in the fourth quarter LSI Logic's revenues resumed growing, inventories dropped 9 per cent, manufacturing utilisation increased, and all the group's biggest factories were capable of producing cost-efficient six-inch wafers.

Second-quarter loss at Cetus deepens to $16m

By Louise Kehoe

CETUS, one of the leading US biotechnology companies, reported heavier than expected losses for its second fiscal quarter.

Expenses were increased partly by efforts to build sales, marketing and manufacturing operations for its first proprietary product, Proleukin, a genetically engineered form of interleukin-2 which has been approved for use as a cancer fighting drug in some parts of Europe.

Costs related to the San Francisco Bay Area earthquake in October and to the acquisition of two new products also boosted expenses.

The company posted a net loss of $15.9m for the quarter ended December 31, against a net loss of $11.6m a year earlier. Revenues increased by almost 50 per cent to $8.95m from $6m.

In the first half Cetus reported net losses of $29.1m against losses of $23.3m, on revenues of $16.4m compared with $11.1m.

Mr Robert Fildes, president and chief executive officer, said: "We now have approval to market Proleukin in six EC countries and we have begun selling in four of those markets." The company also expected to receive additional European approval for new products shortly and believed its growing marketing activities in Europe would contribute significantly to 1990 revenues.

Through a joint development agreement with Hoffman-La Roche of Switzerland, Cetus plans to introduce diagnostic products and services based on its gene-amplification technique called polymerase chain reaction (PCR).

Turnover at Euroclear climbs 15%

By Martin Dickson

EUROCLEAR, one of the two international securities clearing houses which dominate the Euromarkets, increased turnover to $3,358bn last year, up 15 per cent on 1988.

It said the figures – which give a pointer to the overall level of Euromarkets trading – showed volumes increasing across all types of instrument and currency.

Euroclear is thought to handle about two thirds of the world's internationally traded securities. It was established in 1968 to deal with the expanding Eurobond market but has branched out into many other areas, including international equities, and now clears and settles transactions in more than 31,000 securities and 27 currencies. It is owned by leading users of the system and operated under contract by Morgan Guaranty.

The value of securities held for Euroclear participants in 1989 was $782bn, up 28 per cent on the previous year. The number of settlement instructions processed rose nearly 16 per cent to more than 7.7m. Participants in the system increased by 3 per cent to 2,528.

However, the average daily value of loans in the system – a means of putting together lenders and borrowers of securities when an expected delivery of paper is held up – fell 4 per cent to $2.3bn.

Euroclear said this was because an increase in the efficiency of the settlement system had reduced the need for borrowing and lending.

Mr Thomas Ketchum, general manager of the system's operations centre, noted that domestic instruments represented 30 per cent of turnover last year, almost double that of 1987.

President of Doubleday quits

By Alan Friedman in New York

MS Nancy Evans, the 39-year-old president of Doubleday, the leading US book publisher owned by West Germany's Bertelsmann group, has resigned suddenly after less than three years in the job.

Ms Evans is to be replaced by Mr Stephen Rubin, the publisher and editor-in-chief of adult books at Bantam Books.

Her departure comes only two months after Mr Alberto Vitale left his post as chief executive of Doubleday's parent – Bantam Doubleday – to become chairman of Random House, the biggest US book publisher that is controlled by Mr S.I. Newhouse, the media mogul who also owns the Conde' Nast chain of publications.

It was the Italian-born Mr Vitale who hired Ms Evans in 1987 as part of his drive to revitalise the flagging Bantam Doubleday business.

Ms Evans' resignation has fuelled talk in New York publishing circles that Bertelsmann, which bought Doubleday three years ago, is unhappy with the company's profitability.

Higher fuel prices slow Delta Airlines earnings

By Janet Bush

DELTA AIRLINES, the Atlanta-based US carrier, said that higher fuel prices and weaker than expected traffic during the Christmas and Thanksgiving holiday season contributed to a 25 per cent drop in profits in its fiscal second quarter.

Net income fell to $64.2m or $1.13 a share in the quarter ended December 31 from $85.2m or $1.73 a year earlier.

Delta's share price edged $⅝ higher to $66¾ last Friday as the sharp drop in earnings had been widely expected on Wall Street. The company warned investors earlier this month that it would not match the results of a year ago.

The poor performance in the final three months of 1989 was in stark contrast to the previous three-month period, when Delta produced a 33 per cent jump in net income. The carrier was helped partly by turmoil at its rival, Eastern Air Lines, which filed for Chapter 11 bankruptcy protection early last year.

Revenues for the second quarter totalled $2.05bn compared with $1.86bn a year earlier.

For the first six months of the fiscal year, Delta earned $3.65 a share compared with $3.76 in the same period a year ago. Net income for the six months totalled $197.4m compared with $185.1m, on revenues of $4.22bn from $3.74bn.

Hyundai Motor in global issue

By Martin Dickson

HYUNDAI Motor, South Korea's biggest car maker, is to issue $70m of bonds with equity warrants on the international capital markets.

It is only the second equity-linked international issue by a Korean company. The issue will be lead managed by CS First Boston, Daiwa Securities and Hyundai Securities.

Rifts still undermine new BBV chief

Peter Bruce on an urgent need for unity at the big Spanish bank

The Spanish press carried two pieces of banking news on Saturday. The first was that Mr Mariano Rubio, the Governor of the Bank of Spain, named Mr Emilio Ybarra y Churruca president of Banco Bilbao Vizcaya (BBV), the country's biggest bank, after its board had been unable for more than a month to resolve its leadership crisis.

The second piece of news was that one of BBV's rivals, Banco Santander, increased its deposits between August and November by nearly 60 per cent to Pta587bn ($5.29bn), 20 times faster than any of its Spanish competitors.

The Santander news was more important. Its decision last summer to offer interest on current accounts marked out the battleground for Spanish banks – namely new retail products and services. Not one of the country's Big Seven has yet struck back.

At BBV this will now be Mr Ybarra's main task. Since Banco de Bilbao and Banco de Vizcaya merged in 1988, analysts have been waiting to see what the fruits of the marriage would be. They were two of the strongest banks in the country; together they should have been invincible.

Instead, personal rivalries between Bilbao and Vizcaya executives, most of whom had studied at the Jesuit Duesto University in Bilbao, and conflicting management styles have prevented BBV from being anything more than two institutions stuck together in haste. They have given little to each other.

The weaknesses came to the fore on December 12 when Mr Pedro Toledo, the former Vizcaya president and, with his Bilbao colleague, Mr Jose Angel Sanchez Asiain, co-president of BBV, died suddenly in the US. The old Vizcaya board – exactly half the BBV board – tried to name a new co-president. Mr Asiain and his Bilbao team, probably correctly, said the co-presidency was not working and insisted on a single leader.

That row continued until Friday night, when Mr Rubio stepped in. The fact that the leaders of Spain's most prestigious financial institution, the one dreamed up to lead the country's challenge to big European competitors after 1992, were incapable of agreeing on how to govern themselves has stunned locals and the international banking community alike.

If the past month is any guide, Mr Rubio's solution is far from perfect. Mr Ybarra is a Bilbao man, scion of a wealthy Basque family and BBV's biggest individual shareholder.

Below him, Mr Rubio appointed a former Vizcaya man, Mr Alfredo Saenz, as first vice president in charge of banking, regional subsidiaries, consumer services and personnel. A second vice president, Mr Javier Gurpide, from the old Bilbao bank, takes control of BBV's industrial holdings, Banco Commercio, stock broking and asset management and, contrary to Mr Rubio's diktat, the group's insurance companies.

For Vizcaya personnel, that makes it two to one against them at the top and there is no doubt the old concerns of being excluded from power after Mr Toledo's death will linger for as long as it takes Mr Ybarra to prove conclusively that the fears are unfounded.

Given the predominant role old friendships play in Spanish business, that could be a long time. Mr Ybarra, whose family has strong links with both the merged partners, will need to call on all his resources as a conciliator to calm the board.

Mr Rubio's insistence that 10 of BBV's 38 board members leave and that five neutral directors be appointed might help, as might the resignation of Mr Asiain as the surviving co-president.

Mergers among big Spanish banks was his idea initially, but he had wanted to take over a weaker bank and proved incapable of dealing with an equally vigorous partner in the form of Vizcaya.

Mr Rubio wanted him to stay but probably knew, as Mr Asiain finally conceded, that he had to go.

BBV, which has provisionally reported a 20 per cent rise in profits to Pta145bn for last year, starts operations today for the first time as a truly single bank. Whether it will be a good one remains to be seen. The omens are not happy.

If the challenges of an open European market after 1992 are as important as the bank's leaders always claim, then they have lost 18 months through infighting and publicly badmouthing each other.

The only crucial advantage Spanish banks have over their European rivals is in local retail banking. Fee-earning business are new and the foreign competition is only just getting started.

The costs of holding on to Spanish executives capable of making headway in new businesses is enormous. And as Banco Santander is demonstrating, the old retail customers – or at least the ones with any money – are in no mood to wait for their banks to catch up with the times.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bush initiates a policy tug-of-war

IF President George Bush really wants the Federal Reserve to ease its credit policy then he is going about securing this goal in the most peculiar way.

Last week the White House twice broke with its general rule of not criticising Fed policy, and the consensus view on Wall Street was a mixture of mirth and bewilderment.

"We aren't trying to tell the Fed what to do," said Mr Marlin Fitzwater, the White House spokesman, "but we have always said we would like lower interest rates."

And if anyone was left in doubt, he added that a 0.4 per cent rise in the Consumer Price Index (CPI) for December "indicates inflation is low and under control."

Mr Fitzwater, a jovial holdover from the Reagan era who likes to collect hats in his spare time, was jawboning on Thursday following market-moving statements from a couple of influential Fed governors.

These were taken by the market to mean they would not support further easing in monetary conditions.

But given the market's behaviour on Thursday, Mr Fitzwater might just as well have been talking through one of his many hats.

Mr Manuel Johnson, vice chairman of the Fed, and Mr Wayne Angell, a plain-spoken governor, were both quoted last Thursday as indicating they did not fear recession so much as a rise in inflation which, at 4.6 per cent, is still stubbornly high.

The effect of their remarks, which imply that there will be no easing of Fed policies at the next Open Market Committee meeting on February 6, sent the benchmark 30-year Treasury bond down sharply by $1\frac{1}{16}$ point, producing a yield of 8.34 per cent, the highest since June of last year.

The bonds, clearly oversold, recovered a little ground in Friday trading, to close $\frac{3}{16}$ higher at 98 and yielding 8.30 per cent. However, this was at least partly the result of a decline in Japanese yields.

Mr Bush jumped into the fray on Friday, telling an audience of housebuilders in Atlanta that mortgage rates of 10 per cent, and interest rates generally, had to be reduced to spur the economy.

The tug-of-war between the President and the Fed continued in Chicago, where an irritated Mr Angell was even more explicit in his determination not to ease Fed credit policy.

"Good monetary policy, Mr President, will give you the low interest rates you eventually want to see," he declared.

Mr David Hale, chief economist at Kemper Financial Services, summed up the sentiment of many by terming the President's outburst "counter-productive."

After all, it was Mr Alan Greenspan, Fed chairman, who last year pointed out on Capitol Hill that jawboning the Administration for lower rates could well have the effect of forcing the Fed to postpone any moves to ease rates in order to preserve the market's faith in its independence.

At Nikko Securities in New York, chief economist Mr Robert Brusca said that if the President wanted to speak with the Fed he should have a breakfast meeting and do so in private.

In last week's tug-of-war, quipped Mr Brusca, the Bush Administration apparently "forgot that the Fed has the ability to cut the rope and let the President fall on his posterior."

The clash, of course, highlights the continuing US debate about the general state of the economy. After a 2.9 per cent growth rate in the third quarter, most estimates suggest the economy will have grown by only about 0.5 per cent in the last quarter of 1989 and will grow by less than 1 per cent in the first three months of this year.

Is a recession coming? Perhaps not, but certainly there are pockets of recession, most notably in a few key manufacturing sectors and in housing. And as the corporate results season got under way last week the profits trend was looking distinctly lacklustre.

A most unusual outburst was heard from Caterpillar, the leading construction machinery maker, which forecast an outright recession and went out of its way to blame the Fed for the difficult conditions faced by US industry. In the aerospace industry, which should mirror US strength, Boeing said it was to lay off 5,000 workers.

Fedwatchers in the bond market believe the consensus view at the Fed is that the economy may be bottoming out and that the risk of higher inflation is now greater than that of recession.

Having steepened markedly the previous week, the yield curve's flattening out last week – to an 11 basis point differential between the two-year and 30-year Treasury bonds – may suggest the market is more sanguine about the Fed laying greater stress on fighting inflation.

Mr Bush and his political advisers, meanwhile, want to avoid anything resembling recession ahead of this November's mid-term Congressional elections. Hence the rather demagogic Fed-bashing antics of last week.

The Administration's pressure on the Fed will almost certainly backfire in the short term, thus putting off an easing of credit policies to the FOMC meeting of March 27 at the earliest. There is far more to extending the business cycle than the occasional presidential speech.

While the skirmish in Washington grabbed headlines at the end of the week, almost everyone forgot the melodramatic corporate bankruptcy of last Monday.

This was the long-awaited filing of Chapter 11 for Mr Robert Campeau's Federated Department Stores and Allied Stores, the retail chains burdened by a combined debt of $7.5bn, more than a quarter of it built on high-yielding junk bonds.

Junk bond junkies had already done their worst however: the market had discounted the Campeau crisis so well that few significant price falls occurred.

One exception was Ralph's Grocery, a healthy subsidiary of the Toronto-based Campeau Corporation, which may pay for the financial follies at Federated and Allied.

Fears that Ralph's may end up having to shoulder the heavy tax liabilities of Federated and Allied sent the grocery chain's 14 per cent senior subordinated debentures tumbling five points on Friday to close at 81 – and this only a week after the bonds had been trading at 97.

All in all it is becoming harder to say which was the greater bonfire, the political vanity of Mr Bush or the come-uppance of the junk bond boys.

The 1990s are under way.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.13	8.13	8.50	9.92	8.00
Three-month Treasury bills	7.98	7.72	7.88	9.21	7.20
Six-month Treasury bills	7.99	7.82	7.78	9.37	7.18
Three-month prime CDs	8.12	8.12	8.40	10.35	8.18
30-day Commercial Paper	8.20	8.10	8.65	9.95	8.05
90-day Commercial Paper	8.10	8.03	8.32	10.05	8.15

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98¾	-¾	8.20	8.06	7.80
20-year Treasury	108¾	-1¼	8.37	8.25	7.94
30-year Treasury	98$\frac{11}{32}$	-1$\frac{1}{32}$	8.27	8.17	7.87

Source: Salomon Bros (estimates).

Money supply: In the week ended Januart 8, seasonally adjusted M1 fell $11.7bn

NRI TOKYO BOND INDEX

December 1983 = 100	18/1/90	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	143.47	6.83	145.45	148.67	148.83
Government Bonds	141.66	6.69	144.58	148.76	148.93
Municipal Bonds	144.69	6.96	146.63	149.39	150.68
Govt.-guaranteed Bonds	147.01	6.96	148.63	151.17	151.68
Bank Debentures	140.01	6.99	140.34	142.69	142.75
Corporate Bonds	148.03	6.66	150.09	151.69	151.14
Yen-denom. Foreign Bonds	153.34	7.00	156.27	157.50	155.52
Government 10-year†	6.26		6.01	5.30	5.07

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Poor data push yields toward 11%

THE gilt-edged market showed signs of its old self last week, reacting like a shock absorber to poor economic data. Yields on long-dated gilts hit 10.91 per cent and the market ended the week with the distinct feeling that 11 per cent might be breached before lower yields are seen.

A combination of technical and economic factors explain the weakness of the market.

Thursday's earnings figures were disappointing for what they showed about whole-economy productivity and unit costs in the third quarter of last year.

Since the beginning of 1987 unit costs in the UK have nearly trebled while productivity growth has fallen from 3.2 per cent to just 0.6 per cent. Margins will have to be squeezed further, prices must rise, or employers will have to cut manning levels.

Signs are that all three are happening. The 17,100 fall in seasonally-adjusted unemployment in December was encouraging. But it will probably take months before figures begin to show a rise in unemployment and that will be too late to affect the outcome of the current wage round.

Industry will soon be looking to increase prices, if past practice is followed. The underlying rate of inflation, currently 6.1 per cent, may edge up.

The other key figure released last week was the public sector borrowing requirement for December. This raised doubts about the Treasury's ability to achieve its revised PSBR surplus of £12.5bn this financial year. The surplus in the first nine months was just £3.7bn, leaving £8.8bn to be racked up in the January to March period.

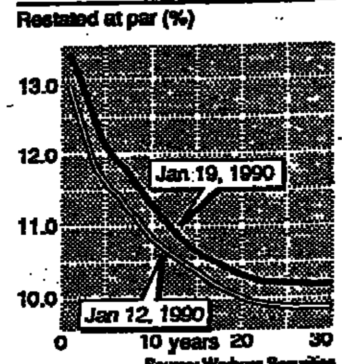
There has been a surplus in the first quarter of every year since 1985, the highest being £5.8bn in 1989. Not too many in the market think the surplus will be 50 per cent higher this quarter than it was a year ago.

The PSBR is composed of three elements: the Government's own borrowing needs, the central government borrowing requirement, CGBR(O); the local authorities' borrowing requirement; and the public corporations' borrowing requirement. All three deteriorated to much the same extent during the April to December period last year.

The CGBR(O) was adrift by £3.4bn, the PCBR by £1.5bn and the LABR by just £200m. The reason for the overshoot has little to do with revenue. In the first nine months of the financial year, inland revenue receipts were 15 per cent ahead of the same period in 1988/89 while customs and excise receipts were 6.5 per cent higher.

Corporation tax receipts are expected to be huge in January, as the Bank of England's gloss to Friday's money numbers underlines.

Increased spending is the main reason for the overshoot



UK gilts yields
Restated at par (%)
Source: Warburg Securities

of the CGBR(O). It has been affected by the take-up of personal pensions, which the Treasury expects will reduce the surplus on the CGBR(O) and hence increase the PSBR by £2.7bn in the current year. The "Green Dowry" for the water utilities cost £1.6bn. There have been increased payments to the EC.

The next most important overshoot has been by public corporations. In the first nine months of 1988/89 they had repaid £1.2bn of debt; in the same period this year they borrowed £300m – a turnround of £1.5bn. This move into deficit is consistent with what is happening in private industry, which has a huge borrowing requirement, and will probably continue.

The LABR was expected to be influenced by "exceptionally high levels of gross capital expenditure," to quote from the Autumn Statement. So far this has been small.

The local authorities have repaid £460m of debt against £650m for the same period in 1988/89. But their borrowing shot up in December and it is possible this might stay buoyant, and even turn to a full year deficit, as they raise funds ahead of new and tighter capital spending guidelines due in April.

All of the above factors more than explain why the PSBR is larger today than it was a year ago. Few would appear to be permanent or reflect slower economic growth, with the possible exception of the PCBR.

The local authorities come under tighter control in April, the Green Dowry was a one off and personal pension take-up may not be as large in the future as it has been.

The above factors are probably strong enough to override buoyant revenue growth. By the end of February the PSBR could well be showing a surplus of £12bn or more.

But March is historically a strong deficit month, which could leave the PSBR registering a surplus of £10bn or less.

The current numbers appear to be of dubious value in looking to 1990/91. The market is figuring that the 1990/91 surplus will be the 1989/90 result minus X. It may be surprised.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 9¼ 94	200	99¾	-1	9.15
ABBEY NATIONAL 8¾ 93	150	98½	-¼	9.28
AETNA LIFE & CAS 7¼ 16	200	96¼	-¼	8.10
AHFC O/S. FIN 11¼ 94	100	100¼	-¼	11.67
ALBERTA, PROVINCE 7¾ 91	750	97¾	-¼	8.80
ALBERTA, PROVINCE 9¼ 95	600	101¼	-1¼	8.95
ALCOA AUSTRALIA 11 92	80	100½	-¼	10.69
AMERICAN GENERAL 9¾ 95	100	101¾	-1¼	9.32
ANHEUSER-BUSCH 9¼ 92	100	99½	-¼	9.31
AUSTRALIA 11 95	200	107¼	-1	9.10
AUSTRALIA 11¼ 00	100	109¼	-½	9.78
AUSTRIA 7¾ 97	200	93¾	-1¼	8.97
AUSTRIA 8½ 90	250	99½	-¼	9.01
AUSTRIA 8¾ 00	175	97	-1½	9.10
BANK OF TOKYO 8¾ 96	100	96¼	-¾	9.19
BANK OF TOKYO 10¾ 99	150	102	-¼	10.39
BANK OF TOKYO 11 90	125	100¼	0	9.42
BARCLAYS JERSEY 10¼ 90	250	100¼	-¼	9.37
BARCLAYS JERSEY 10¾ 95	250	105¾	-1¼	9.28
BELGIUM 7½ 91	250	97¼	-¼	8.90
BELGIUM 9¼ 92	400	100¼	-½	8.93
BELGIUM 9¾ 98	250	102¾	-1¾	9.19
BETAWEST PROP 7¾ 93	150	95½	-¼	9.32
B.F.C.E. 7¼ 93	100	94¾	-¼	9.08
B.F.C.E. 7¾ 97	150	93¼	-1¼	9.06
BK NOVA SCOTIA 7¾ 91 SW	150	98¼	-¼	9.27
B.N.P. 8¼ 93	125	98¼	-¾	9.42
B.N.P. 8¾ 94	300	98¼	-¾	8.99
BP AMERICA 9¾ 99	250	101¾	-1½	9.42
BP CAPITAL 9¾ 93	150	101¼	-¼	9.20
BP CAPITAL 11¼ 92	150	101¼	-¼	10.11
BR.COL.HYDRO 11¼ 93	200	107¾	-¾	9.30
BRITISH TELECOM FIN 9¾ 98	250	101¼	-1½	9.15
CAMPBELL SOUP 10½ 95	100	102¾	-½	9.90

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
Closing prices on JANUARY 19

UK COMPANY NEWS

Ashes to ashes at Dominion International

Clay Harris explains why the group's shareholders are unlikely to recover any of their investment

THE APPOINTMENT of an administrator at Dominion International, due to be made officially today, means the financial services and property company will soon be dead in its present form.

Among the certain losers are Dominion's shareholders who are unlikely to recover any of their investment.

As recently as September 21, when Dominion shares were suspended at 52p, the company was valued at £36.5m. But Mr Carl Openshaw, who was appointed managing director last summer, said yesterday: "What is absolutely clear is there will be nothing for shareholders."

Having despaired of finding any other way out, Dominion's resignation-depleted board is backing the request by Royal Bank of Scotland, the company's lead bank, for an administrator to be appointed. Administration, a step short of receivership, allows creditors to protect their position without jeopardising the survival of profitable operations.

Royal Bank opted for administration after rejecting a proposed rescue package supported by investors speaking for about 20 per cent of Dominion's shares. Two of those shareholders, former Dominion director Mr Rupert Galliers-Pratt and Mr Roy Richardson, said yesterday they would welcome investigations of the company's affairs by the Serious Fraud Office and the Department of Trade and Industry.

With their respective brothers, Mr Galliers-Pratt and Mr Richardson said they were considering taking legal action against whoever was found responsible for the company's state of affairs. Together, the four men stand to lose more than £10m from Dominion's demise.

Dominion will now inevitably be broken up – with buyers being sought for profitable subsidiaries such as Transnational, a US-based small-ticket leasing company, and Film Finances, world leader in providing completion guarantees for cinema and television productions. But the effort to assign blame for its collapse is only just beginning.

It will be scant consolation for the prospect of losing their money, but Dominion's shareholders are now likely to be treated to a spectacle of mutual finger-pointing not seen in a UK company for a long time.

At the centre of the controversy, but no longer of the company itself, is Mr Max Lewinsohn, creator of Dominion in its present form from the ashes of Dundee Crematorium, a company which had a market value of £200,000 when he bought control in 1974.

Under fire from influential shareholders and some former directors, Mr Lewinsohn resigned hours before Dominion's annual meeting in August. Within six weeks, Dominion's shares were suspended and the company was forced, at the last minute, to cancel its final dividend because it lacked distributable reserves.

The case against Mr Lewinsohn rests on the last third of his 15-year stewardship, a period in which Dominion was badly burned by oil investments and struck out with a series of ventures in financial services and property, several of which have gone badly wrong.

Ashley Ashwood

Max Lewinsohn, second left, argues that difficulties were due to a change of direction after he left

Dominion on Friday announced provisions of nearly £11m, to raise the total written off over the past five years to £46m Mr Openshaw yesterday described this as "purely prudent accounting, reflecting that the asset values just aren't there."

It is slashing to £700,000 the carried value of its £5.7m investment in Intex, a proposed automated futures exchange; writing off £4m against losses on its oil interests, mainly through the loss on its partial disposal of a stake in USM-traded Southwest Resources; and taking a £1m charge against its $4m (£2.4m) exposure to Chartwell, a proposed residential property development in South Carolina.

Large questions also remain over the future of Dominion Beach, a luxury development on Spain's Costa del Sol. Altogether, the company's debt, including off-balance sheet borrowings, exceeds £100m.

In reply, Mr Lewinsohn argues that the difficulties which have come to light in the past few months are a result of the abrupt change of direction after his departure – the decision to drop a proposed disposal for cash and allied acquisition for shares – and the subsequent blow to confidence among Dominion's bankers.

The main dispute, however, is not between Mr Lewinsohn and new management led by Mr Openshaw. His principal detractors are Mr Roy Richardson and his twin Don, the West Midlands property developers, and another set of brothers, Mr Rupert Galliers-Pratt and Mr Nigel Cayzer. The four men had been trying since November 1988 to remove Mr Lewinsohn.

The Richardsons bought into Dominion on a stockbroker's recommendation and on the strength of its dividend yield and possible hidden property assets. "With hindsight, now we know why it was such a good dividend," Mr Roy Richardson said yesterday.

Mr Galliers-Pratt and Mr Cayzer got their shares when Dominion bought Film Finances from them in May 1988. Although still on the Dominion board, they joined forces with the Richardsons in November 1988 to lobby institutions in an unsuccessful attempt to remove Mr Lewinsohn. That initiative was headed off, in part by Mr Lewinsohn's agreement to swap places with Lord Barnett, the former Labour minister, who was then deputy chairman. Lord Barnett subsequently resigned as chairman in November 1989.

Institutions' willingness to remain loyal to Mr Lewinsohn in the autumn of 1988 was understandable. For most of his tenure, Dominion had been a star performer. And only a few months previously, analysts and others had returned from a presentation in Spain with the clear impression that Dominion was expecting to report pre-tax profits of £12m in the year to March 31 1989. Their change of view about Mr Lewinsohn when the total emerged at only £5.44m is also understandable.

On the Dominion board itself, November 1988 was a point of no return. Mr Cayzer and Mr Galliers-Pratt offered to buy back Film Finances in February last year. Mr Lewinsohn rejected the offer and then sacked Mr Cayzer from his executive position at Film Finances. Mr Cayzer and his brother left the Dominion board last July.

At about the same time, Mr Openshaw – formerly executive director at Guthrie – was appointed as managing director. This was intended, Mr Lewinsohn says, to pre-empt further criticism from the two sets of brothers. "It was an agreed compromise to insure that there wasn't continued internal strife."

Mr Openshaw's first task was to undertake an internal review of the company's position, an exercise which ultimately and reluctantly led to administration.

Mr Lewinsohn maintains that if the proposed disposal of Film Finances for cash to its post-Cayzer management had been allowed to proceed, along with the linked mostly-paper acquisition of York Associates, a US mortgage services company, Dominion would have been able to pay its dividend and would still be afloat.

His disputants argue that, at best, the deals would have only delayed the day of reckoning. "I think, unfortunately, the company is beyond repair," Mr Galliers-Pratt said yesterday. "The last moment we could have salvaged something was about a year ago."

Lovell may sell 10% of Higgs after bid failure

By Ray Bashford

YJ LOVELL is expected to sell a 10 per cent holding in Higgs and Hill following the failure of its £167m hostile takeover bid for the competitor in the housing and construction industry.

The disposal became the most likely option when it was announced on Saturday afternoon that Lovell could claim *only acceptances for 34.8 per* cent of Higgs.

The Takeover Panel is this week expected to explain why it rejected an attempt by Lovell to alter the takeover rules in the final stages of the takeover.

Lazard Brothers, the merchant bank advising Lovell, won approval on Thursday from the Panel's executive for at least two institutions to pledge support for the bid but have their shares included in acceptances only if the takeover was successful.

This was seen as an attempt by institutions to retain their anonymity and therefore not appear to be disloyal.

However, after an appeal to the full panel by Schroder Wagg, advisers to Higgs and Hill, the decision was overruled. The merchant bank argued, in part, that such an alteration would give institutions advantages over smaller shareholders.

Lovell's stake has attracted the interest of several institutions and Higgs would be likely to assist in breaking-up and *placing the stake*.

Lovell is barred under the City Code from launching another bid for 12 months, meaning that the holding costs for the stake would add significantly to the the company's interest charge in the next financial year.

The bidder purchased a 5 per cent holding last week at 450p a share which raised sharply the average price paid for the shares. Higgs shares closed down 5p at 408p on Friday.

The shares directly owned by or associated with Mr John Adams, the former Higgs deputy chairman who defected and supported the offer, account for up to a third of total acceptances.

De Haans 300p offer to take Saga private gives £54.3m value

By John Thornhill

THE De Haan family is planning to return the Saga Group to private ownership 12 years after it floated the holiday group. It is making a 300p per share recommended offer which values the company at £54.3m.

The De Haans, who already own 63 per cent of the company's equity, said they had approached Saga in December prompting a sharp rise in the company's share price. Last Friday the shares were unchanged at 294p, compared with the offer price of 300p.

Saga made a pre-tax profit forecast of £4.1m for the year ended January 1990, which was well below market expectations.

Refinancing arranged for United News Shops

By Maggie Urry

A REFINANCING package has been arranged for United News Shops, a chain of 271 newsagents bought out from United Newspapers in 1987 for £27m.

Mr Stephen Fearnley and Mr Paul Appell, founders of the Poundstretcher chain of discount stores, who left when the outlets were sold by Lowndes Queensway to Brown & Jackson last year, have taken a near 50 per cent stake in the company and have been appointed chairman and deputy chairman respectively.

The refinancing, arranged by Phildrew Centures, involved institutions who originally backed the deal cutting their equity interest from 85 per cent to 50 per cent and putting in more capital, and the banks rescheduling debt repayments.

Mr Fearnley and Mr Appell also put capital in. The company is now capitalised at £33m.

Sutherland shares fall on loss warning

Shares in Sutherland Holdings, USM-quoted food processor, dropped from 46p to 36p last Friday after the company warned it would show a small loss before tax for the year to October 31, writes Vanessa Houlder.

The company, which is a major user of pork and beef, blamed increased raw material costs. The warning was made because of a suspected information leak. A full statement will be made on Thursday when the results are released.

Wehmiller buys three businesses for £16m

By David Owen

BARRY WEHMILLER International, the specialist packaging machinery group, has acquired three diverse UK businesses for a total of £16.05m.

The deals will make the company the world's largest supplier of aerosol filling equipment and launch it into the manufacture of machines for pressing and coating tablets for the pharmaceuticals industry.

The transactions will be funded by issuing £19.8m of new Wehmiller shares.

These have been placed for cash at 280p with institutions, but are subject to an open offer made to all shareholders by Hill Samuel. The surplus will be added to group resources.

Melville Engineering, the engineering arm of Melville Group, was bought for £9m, satisfied by an allotment of 3.2m new shares.

The second acquisition was Manesty Machines, the chain and gear manufacturing subsidiary of Renold - purchased for £6.75m satisfied by 2.4m new shares.

Manesty is a leading manufacturer of tablet pressing and coating machinery.

The third acquisition, Hills of Hull, manufacturer of bottling and rinsing machines, was acquired for £300,000 in cash. The company, into which Wehmiller is to inject between £650,000 and £700,000 of working capital, boasts turnover of some £2.1m.

Mecca Leisure £30m sale

Mecca Leisure has raised £30m through the sale of its Clermont Club casino in Mayfair to the Bally Manufacturing Corporation, a US leisure concern.

The transaction takes Mecca half-way to achieving the aim of shedding both its London gaming houses, where profitability has deteriorated. The assets being sold have a book value of £24.5m.

Reject Shop into the red

By Robert Chote

REJECT SHOP, the USM-quoted household goods retailer, slid £255,000 into the red for the six months ended October 1 after high interest rates had caused a slow-down in furniture sales. In the same period of 1988 the company returned profits of £227,000.

Static turnover of £7.49m buoyed by contributions from three new stores, masked a fall of 17 per cent on a like-for-like basis. Of this decline, 75 per cent was accounted for by furniture.

The company estimated that pre-tax profits for the full year would be more than halved to around £650,000.

The interim dividend is being held at 1.05p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Beales (John), GT Japan Investment Trust, Heath (Samuel), Menvier-Swain, Westport.

Finals- Aukett Associates, Baldwin, Pavilion Leisure Corp.

FUTURE DATES

Interims-

Flogas	Jan. 24
Haggas (John)	Mar. 6
Usher (Frank)	Feb. 28
Finals-	
Alliance Trust	Mar. 12
Allied Textile	Jan. 31
BBA	Mar. 15
Camford Engineering	Jan. 24
Colorvision	Jan. 31
Derby Trust	Jan. 25
Gardiner	Jan 30
Hong Kong & Shanghai Bank	Mar. 13
Laing Properties	Mar. 29
Lloyds Abbey Life	Feb 23
Lowe (Robert H)	Jan 30
Pacer Systems Inc	Mar. 6
Pavilion Leisure Corp	Jan. 22

FINANCIAL TIMES STOCK INDICES

	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.58	81.04	81.62	82.36	82.39	83.02	89.29	81.04	127.4	49.18
Fixed Interest	91.50	91.89	92.33	92.46	92.39	92.60	99.59	91.50	105.4	50.53
Ordinary	1868.0	1864.4	1895.3	1875.7	1896.9	1909.1	2009.6	1447.8	2008.6	49.4
Gold Mines	329.4	342.9	351.4	355.8	349.4	346.1	355.8	154.7	734.7	43.5
FT-Act All Share	1169.46	1169.74	1186.53	1175.64	1184.17	1191.71	1226.83	921.22	1238.57	61.92
FT-SE 100	2335.0	2336.9	2373.9	2349.1	2366.2	2380.1	2463.7	1782.8	2463.7	986.9

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd Bournemouth						0345 717373
High Income						
American Income	6	52.95	52.95	56.64	4.84	40000
Gilts & Fixed Int	5	105.[illegible]	105.70xd	112.00	9.93	40001
High Inc Equity	6	237.[illegible]	[illegible]	244.40	4.33	40002
Worldwide Bond	6	202.6	202.6	214.[illegible]	[illegible]	40003
Capital Growth						
American Growth	6	189.30	[illegible]	203.0	1.06	40004
Asian Pacific	6	125.4	127.9xd	136.5	0.91	46205
Assets & Earnings	6	156.7	158.7	169.[illegible]	[illegible]	40005
Capital Reserve Acc	0	85.39	85.39	85.51	6.78	40007
Capital Reserve Inc	0	78.44	78.44	78.54	[illegible]	47580
Comdty & Energy	6	119.1	119.1	127.4	1.49	40008
Dividend & Growth	6	46.86	47.96	50.92	4.42	47871
1992 Enterprise	6	62.60	62.60	66.96	2.48	46507
Euro Capital Acc	6	99.85	100.6	107.1	0.70	42009
Euro Capital Inc	6	96.23	97.09	103.[illegible]	0.73	47581
General	6	179.7	179.70	192.2	2.60	40010
International	6	61.45	62.30xd	66.28	0.75	46852
Japan	6	114.5	114.5	122.5	0.00	40011
Mastertrust	6	92.12	92.12	98.53	1.73	40012
UK Growth Acc	6	183.5	183.5	196.3	1.62	40013
UK Growth Dist	6	121.3	121.3	129.6	2.45	40014
US Emerging Cos	6	53.54	53.54	57.27	0.00	40015
Income & Growth	6	306.20	306.20	327.5	3.13	40016
Ethical	6	48.41	48.41	51.78	1.93	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ						0800 833580
Amer Inc & Growth	5¼	32.29	32.29	34.47	3.07	40019
European	5¼	81.52	81.[illegible]	87.23	0.00	[illegible]
European Income	5¼	77.93	78.13	83.40	1.97	[illegible]
Exempt	[illegible]	767.9	767.9xd	798.7	1.60	[illegible]
Extra Income	5¼	44.29	44.29xd	47.28	4.16	40021
F East Emerg Ecom	5¼	64.80	65.59	70.25	0.02	41380
Fund Inv Tst	5	129.0	134.6	143.7	1.64	40100
Do Accum	5	[illegible]	211.1	225.3	1.64	40101

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Midland Unit Trusts Ltd—Contd.						
Managed	6	58.40	59.58	63.17	2.30	46604
Money Market	6	56.37	56.37	59.75	12.86	46601
North American	6	58.62	59.77	63.58	0.00	46603
Midland FSAVCS Unit Trust						
British	6	58.37	59.11	62.88	3.19	46602
European Growth	6	67.81	67.33	71.39	0.80	46601

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Hong Kong Inc	5	42.07	42.07	44.89	3.68	41163
Swiss Equities Acc	5	39.74	39.74	42.65	0.36	41166
Swiss Equities Inc	5	39.39	39.39	42.28	0.36	41165
W'wide Bond Acc	5	55.53	55.53	58.59	7.17	41168
W'wide Bond Inc	5	52.83	52.83	56.74	7.17	41167
Emerging Asia Acc	5	103.2	103.2xd	110.7	0.00	46664
Emerging Asia Inc	5	103.2	103.2xd	110.7	0.00	46665

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange Sqre, London E14 9GJ 01-955 5055						
American ♦	5¼	70.02	70.02	74.88	1.5	41574
Intl Growth ♦	5¼	82.45	82.45	88.18	0.8	41575
Income ♦	5¼	131.5	131.5	140.6	4.8	41576
Japan Growth ♦	5¼	242.5	242.5	259.5	0.1	41577
Pacific Perf ♦	5¼	154.2	154.2	164.9	0.1	41578
Small Co's ♦	5¼	133.4	133.4	142.6	1.4	41579
Technology	5¼	33.73	33.73	36.07	0.1	41580
Australia	5¼	64.49	64.49	68.97	2.8	41581
UK Trust ♦	5¼	178.6	178.6	191.0	2.6	41582
European Growth ♦	5¼	75.23	75.23	80.45	0.1	41583
Hong Kong ♦	5¼	33.17	33.17	35.47	1.9	41584
Intl Income	5¼	21.72	21.72	23.22	7.2	41585
S ore & Micro Gth	5¼	40.52	40.52	43.33	0.1	41586
British Warrant ♦	5¼	26.24	26.24	28.06	2.2	41587
Japan Smlr Cos ♦	5¼	33.67	33.81	36.17	0.1	46995
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.02	16.27	17.30	0.00	41588
Pacific Basin	6	29.97	29.97	31.88	0.60	41589
Can Based Gwth ♦	6	45.49	45.49	48.39	0.10	41590
Global Mar ♦	4	0.9667	0.9667	1.0079	7.58	41591
Penny Share	6	28.95	28.95	30.79	0.50	41592
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	143.9	146.6	155.9	5.73	41593
Wellington Growth	5¼	237.9	238.3	253.5	1.57	41594
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6BW 0202 299452						
Wessex UK Gwth	4½	111.8	116.4	121.2	3.98	41595
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	2¼	61.32	61.32	62.85	8.00	41596
Short Dtd Gilt ♦ F	1¼	82.77	82.77	83.90	6.02	41597
U.S. Govmt Bond ♦ F	1¼	.5794	.5794	.5869	0.00	41598
Willbro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Aust Friars W'wide	5	200.6	204.4	217.4	2.43	40677
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	58.15	58.15	61.95	7.44	41599
European	5	81.70	81.70	87.13	0.08	44603
Far Eastern	5	79.81	80.09	85.21	0.56	46304
Growth Inc	5	78.60	78.60	83.78	1.58	41600
Growth Acc	5	78.67	78.67	83.86	1.58	44976
Income Inc	5	77.33	77.53	82.43	4.98	41601
Income Acc	5	77.43	77.43	82.54	4.94	44977
Property Share	5	48.80	48.80	52.01	1.06	41602
Smaller Co's	5	44.64	47.98	51.05	1.91	41603
Nth American	5	60.69	60.69	64.91	1.67	41229
International	5	49.51	49.51	52.95	1.41	41230
Asset Value	5	162.03	162.03	173.29	4.43	41944
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	111.47	111.47	117.34	3.96	41606

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charities/Charishares (1000)F

CAFINVEST-Charities Aid Foundation

Charities Official Invest. Fund‡

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Pens Mngt Ltd

Funds in Court*

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Trust*

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

AEtna Life Insurance Co Ltd

AEtna Life Insurance Co Ltd—Contd.

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

Amersham Life Assce. Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assc. Co Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd (c)

Cannon Assurance Ltd—Contd.

Citibank British National

City of Edinburgh Life Assurance

City of Westminster Assurance Co Ltd

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crown Financial Management Ltd—Contd.

Crusader Insurance Plc

Devonshire Life

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Friends' Provident

GT Management Ltd

General Accident Linked Life Assce(z)

General Portfolio Life Insce Plc

General Portfolio Life Insce Plc—Contd.

Assicurazioni GENERALI SpA

Gresham Life Assurance Soc Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration(z)

Hill Samuel Life Assur. Ltd

Hambro Life

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions—Contd.

MGM Assurance(z)

MLA

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Britannia Assce Co Ltd—Contd.

NEL Pensions Ltd

NM Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd	615.7	648.8	-	43315
Adventurous Mngd	135.1	142.4	-	46402
Secure Mngd	110.0	116.0	-	46403
Cash Fd	245.3	258.5	-	43316
Property Fund	301.5	317.8	-	43317
Equity Fund	699.8	737.5	-	43318
Fxd. Int. Fund	295.9	311.9	-	43319
International	322.6	343.2	-	43320
High Income	441.6	469.8	-	43321
Far East	458.1	487.4	-	43322
North American	272.7	290.2	-	43323
Special Sits	625.3	665.3	-	43324
Technology	262.1	278.9	-	43325
Extra Inc Fd	273.2	290.7	-	43326
Convertible & Gilt Fd	150.7	160.4	-	43327
American Income	130.9	139.3	-	43328
Gilt Fund 20	294.4	313.2	-	43329
European Fund	116.4	123.9	-	43330
Pref & Fixed Int.	95.9	101.1	-	46332
Equity Income Dist.	99.64	105.0	-	47816
Managed Dist.	98.2	103.5	-	47817
Pension Funds				
Balncd Gro Mng Pens Acc	594.6	625.9	-	43331
Adventurous Mng Pens Acc	128.7	135.5	-	46404
Secure Mngd Pens Acc	109.7	115.5	-	46405
Building Soc. Acc.	261.0	274.8	-	43332
Property Pens. Acc.	309.1	325.4	-	43333
Fxr Int Pens. Acc.	413.9	435.7	-	43334
Equity Pens Acc	783.6	825.9	-	43335
International Pens Acc	313.1	329.6	-	43336
High Inc Pens Acc.	493.8	519.8	-	43337
Tech Pens Acc.	167.7	176.6	-	43338
N American Pens Acc.	188.3	198.3	-	43339
Far Eastern Pens Acc.	449.3	473.0	-	43340
Special Sits Pens Acc.	518.9	546.3	-	43341
Extra Income Pens Fd	331.3	348.8	-	43342
Convertible & Gilt Pen	165.9	174.7	-	43343
American Inc Pens.	144.8	152.5	-	43344
European Pens	124.3	130.9	-	43345
Managed Cash Pens.	120.1	126.5	-	46753
Pref & Fixed Pens.	99.6	104.9	-	46333
Other Funds				
Margetts Growth	92.1	97.0	-	47911
Margetts Income	94.1	99.1	-	47912
Margetts Pension	93.6	98.6	-	47913
D.W.C Growth & Income	121.2	127.6	-	46835
NCH Managed	103.0	108.5	-	47199
NCH Inc & Growth	91.6	96.5	-	47158
B&B Select Mngd	91.6	96.5	-	47621

For Capital Unit and Other Prices ring 0539-733733

Royal Heritage Life Assurance Ltd

20 Clifton St, EC2A 4HX 01-920 0202/0733 262524

	Bid Price	Offer Price	Yield Gross	City-line
Multi Gwth		508.75	-	43586
Multi Gwth "A"	508.7	535.5	-	43587
Op Prop.	419.0	441.1	-	43588
Op Equity	752.9	792.6	-	43589
Op High Yld.	345.7	363.9	-	43590
Op Man	588.3	619.3	-	43591
Op Dep	289.0	304.3	-	43592
Op Inc Dist.	198.3	208.8	7.73	43594
Op Int Man	333.3	350.9	-	43595
Op Emerging Co's	298.3	314.0	-	43597
Pension Funds–Series B				
Property	760.2	800.3	-	43598
Equity	1936.8	2038.8	-	43599
Fixed Interest	627.2	660.3	-	43600
Managed	1032.0	1086.4	-	43601
Deposit	560.2	589.7	-	43602
Gartmore Global	189.4	199.4	-	43603
Gartmore NA	94.1	99.1	-	43604
Gartmore Pacific	256.6	270.2	-	43605
Henderson Acc.	197.8	208.3	-	43606
Perpetual Mng	200.6	211.2	-	43607
Framlington Mng	190.4	200.5	-	43608
Gartmore Pen Mngd	193.8	204.1	-	43609
Gartmore Pen Euro	155.8	164.0	-	43610
Beckman Pension Fund	126.1	132.8	-	43614
Suffolk Cap Pen Fd.	111.6	117.5	-	43618
IMC Pen SB Ser B	95.0	100.0	-	46404
Pension Funds–Series D				
Property	193.4	193.4	-	43621
Equity	129.7	129.7	-	43622
Fixed Interest	154.2	154.2	-	43623
Managed	130.8	130.8	-	43624
Deposit	164.7	164.7	-	43625
Gartmore Global	119.1	119.1	-	43626
Gartmore NA	106.7	106.7	-	43627
Gartmore Pacific	134.8	134.8	-	43628
Henderson Acc.	146.3	146.3	-	43629
Perpetual Mng	146.6	146.6	-	43630
Framlington Mng.	152.2	152.2	-	43631
Gartmore Pen Mngd	159.4	159.4	-	43632
Gartmore Pen Euro	119.2	119.2	-	43633
Knightsbridge CHS Pen	104.9	104.9	-	43634
Ark Euro Pen	161.6	161.6	-	46122

For Pensions Capital Units please ring ext 350/352

	Bid Price	Offer Price	Yield Gross	City-line
Baring Funds				
Australia	101.5	106.9	-	43635
Eastern	230.8	243.1	-	43636
Equity Income	115.8	121.9	-	43637
European Smllr Cos.	161.8	170.4	-	43638
Japan Growth	175.5	184.8	-	43640
Japan Sunrise	163.5	172.2	-	43641
American Growth	97.9	103.1	-	43643
UK Smaller Cos.	129.9	136.8	-	43644

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

Tyndall International (Guernsey) Ltd

Wellington Fd Mngrs (Guernsey) Ltd

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

Barclays Intl Funds

Citibank (CI) Ltd

EBC Trust Company (Jersey) Ltd

Equitlink International Mngt Ltd

Fidelity International (CI) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

Hill Samuel Investment Services Intl(s)

Management International (Jersey) Ltd

Midland Bank Tst. Corp. (Jersey) Ltd

MIM Britannia International Limited

Northgate Unit Tst. Mngr. (Jersey) Ltd

Prudential Intl Financial Services Ltd

Royal Trust Intl Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngmt, Jersey

TSB Trust Funds (CI)

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

World Bond Fund

Worldinvest (Managers) Jersey Ltd

ISLE OF MAN (**)

Duncan Lawrie Inv. Mgt. Ltd

Gartmore Fund Managers (IOM) Ltd

Henderson Inti Mgrs (IOM)

Target International (Isle of Man) Ltd

LUXEMBOURG (**)

Fidelity International Service (Lux) SA

Fleming Group

Security Pacific Funds S.A. Lux

Yamaichi 1992 OMNI Fund SICAV

OFFSHORE INSURANCES

Albany International Assurance Ltd

Equity & Law Intl Life Assce Co Ltd

Finance International Ltd

Hunsard International Ltd

Isle of Man Assurance Ltd

NEL Life Assurance Int Ltd

Premium Life International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Bridge Singapore Asset Mngmnt Ltd

Butterfield Management Co Ltd

Cortraide ITEC Fund Management

Capital House Investment Management Ltd

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

DWS Deutsche Ges. F. Wertpapiersp

Daiwa Investment Trust Co Ltd

Dreyfus Intercontinental Inv. Fd.

Eldridge Investment Trust

Elders (Switzerland) Invest. Mgmt. SA

Fleming Group

Frontier Fund

Fidelity Distributors Intl Ltd

GT Management Plc

GW Investment Management Ltd

Gartmore Investment Ltd

Genesis Fund Managers Ltd

Granville Management Ltd

Hambros Bank (Guernsey) Ltd

Intl. Investment Partners Ltd

International Specialty Fund

Jardine Fleming Unit Tst Mgrs Ltd

Korea Growth Trust

Le Fonds International Canagec

Lloyds Bank Switzerland

M & G (Cayman) Ltd

Malaysia Growth Fund

Merrill Lynch Asset Management

Nomura Asia Europe Fund

Nomura Rosenberg Alpha Fund Mgmt

PAM Futures Trading (Cayman) Ltd

Pierson Heldring & Pierson

Putnam International Advisors Ltd

Rothschild Asset Management (CI) Ltd

Royal Trust North American Bond Fd

Schroder Investment Management Limited

Singer & Friedlander Ldn. Agents

Skandifond

Societe Generale Merchant Bank plc

Sterling Offshore Fund Admin. Ltd.

Templeton Galbraith & Hansberger Ltd

The Thailand Fund

Thornton Investment Management Ltd

Tyndall International (Bermuda) Ltd

US Pacific Stock Fund

Union-Investment-Gesellschaft GmbH

Vickers Da Costa

Warburg Investment Services Ltd

Wells Fargo U.S. IT Fund

Yamaichi Dynamic Mngt Co SA

Money Market Trust Funds

Charities Aid Funds Money Mngmt Co Ltd

Gartmore Money Management Ltd

J. Henry Schroder Wagg & Co Ltd

Western Trust High Interest Cheque Acc

Money Market Bank Accounts

Aitken Hume Bank plc

Allied Trust Bank Ltd

Bank of Ireland High Interest Cheque Acc

Bank of Scotland

Barclays Capital Advantage Account

Barclays Prime Account H.I.C.A.

Benchmark Bank PLC Premier Account

Brown Shipley & Co Ltd

Citibank Savings

Clydesdale Bank PLC

Co-operative Bank Top Tier

Coutts & Co

Darlington & Co Ltd

Financial & General Bank plc

Gartmore Money Management Ltd

Hambros Bank Ltd

Lloyds Bank High Interest Cheque Account

Midland Bank plc

Provincial Bank PLC

Royal Bank of Scotland plc Premium Acc

Save & Prosper/Robert Fleming

Standard Property Investment PLC

Sterling Bank & Trust Ltd

TSB Bank plc

Tyndall & Co Ltd

Wimbledon & South West Finance Co Ltd

UNIT TRUST NOTES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,400	Exch 11pc 1990	99¼xd	–	8.1	12Aug 12Feb	1257
1,250	Exch 12½pc 1990	99½	[illegible]	16.8	22Sep 22Mar	[illegible]
550	Treas 3pc 1990	97¾	12.33	2.10	6Nov 8May	1325
600	Treas 8¼pc 1987–90	97	13.55	8.11	15Dec 15Jun	1340
955	Treas 8pc Cv 1990	97	13.29	11.12	16Jul 16Jan	4680
1,867	Treas 10pcCv 1990	96	14.49	18.9	25Apr 25Oct	1265
500	Exch 2½pc 1990	93¼	11.29	16.10	22May 22Nov	1270
2,200	Treas 11¾pc 1991	97	14.20	4.12	10Jan 10Jul	[illegible]
400	Funding 5¾pc '87–91	92	12.55	1.9	5Oct 5Apr	1275
400	Treas 3pc 1991	90	11.59	9.10	15Nov 15May	1326
646	Treas 10pc Cv '91	95	[illegible]	6.12	12Jan 12Jul	1286
1,550	Exch 11pc 1991	96¼	13.42	18.9	25Apr 25Oct	[illegible]
1,350	Treas 8pc 1991	91	12.32	3.11	10Jun 10Dec	1335
900	Treas 12¾pc 1992	99	[illegible]	18.12	22Jul 22Jan	[illegible]
1,600	Treas 10pc 1992	94	13.03	15.1	21Aug 21Feb	1253
1,400	Treas 6pc 1992	90	12.96	6.9	13Oct 13Apr	1337
1,282	Treas 10½pc Cv 1992	95	12.83	2.10	7Nov 7May	1289
500	Treas 3pc 1992	83	11.02	6.11	11Dec 11Jun	1325
1,350	Exch 12¾pc '92	98	12.99	19.1	25Feb 25Aug	1255
1,757	Exch 13½pc 1992	101	12.72	31.8	22Mar 22Sep	1266
950	Treas 8¼pc 1993	89¼xd	12.59	12.1	18Aug 18Feb	–
1,850	Treas 10pc 1993	93¼	12.39	8.9	15Oct 15Apr	1279
1,100	Treas 12½pc 1993	100	12.37	8.12	14Jan 14Jul	1296
630	Funding 6pc 1993	84	11.27	9.8	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993	104	12.21	17.10	23May 23Nov	1304
1,050	Treas 8½pc 1994	88	12.20	28.12	3Aug 3Feb	–
600	Treas 14½pc 1994	107¼	12.03	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	104¾	12.12	20.9	27Oct 27Apr	1267
1,400	Treas 10pc Ln 1994	93	11.93	2.11	9Dec 9Jun	1285
1,550	Exch 12½pc 1994	101	12.07	16.1	22Feb 22Aug	1262
1,600	Treas 9pc 1994	89	11.87	11.10	17May 17Nov	1345

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,350	Treas 12pc 1995	100	11.94	19.12	25Jul 25Jan	1294
229	Exch 3pc Gas 90–95	75½	9.06	25.9	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	93	11.61	15.12	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995	104	11.66	9.10	15May 15Nov	1298
900	Treas. 14pc '96	108	11.89	18.12	22Jul 22Jan	1305
750	Treas.9pc 1992–96	88	11.58	9.8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996	115¼	11.69	27.9	3Nov 3May	1309
800	Exch 13¼pc 1996	106	11.65	9.10	15Nov 15May	1268
1,109	Conversion 10pc 1996	92	11.53	9.10	15May 15Nov	1240
1,500	Treas 13¼pc 1997	108	11.56	18.12	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	95¼	11.47	15.1	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997	87¼	11.37	24.8	1Mar 1Sep	1341
1,000	Exch 15pc 1997	116	11.66	20.9	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	91	11.34	13.12	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995–98	77	10.92	25.9	1Nov 1May	1391
1,100	Treas. 15½pc '98	121	11.53	24.8	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	103	11.43	16.10	20May 20Nov	1259
1,250	Treas 9½pc 1999	91	11.05	11.12	15Jun 15Jan	1347
2,900	Exch. 12¼pc 1999	104	11.38	21.8	26Sep 26Mar	[illegible]
1,252	Treas. 10½pc 1999	95	11.25	13.10	19Nov 19May	1289
1,548	Conversion 10¼pc 1999	94	11.18	16.10	22May 22Nov	1242
1,300	Treas. 8½pc Ln 2000	85xd	10.93	22.12	28Jan 28Jul	1332
1,554	Conversion 9pc 2000	88	10.93	28.7	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	118	11.32	8.12	14Jan 14Jul	1299
1,050	Treas 10pc 2001	93	11.03	20.7	25Aug 25Feb	1280
1,250	Treas. 14pc '98–01	112	11.63	16.10	22Nov 22May	1306
716	Conversion 10pc 2002	94	10.89	4.9	11Oct 11Apr	1241
1,600	Exch. 12pc '99–02	102½	11.47	18.12	22Jul 22Jan	1261
802	Conversion 9¾pc 2001	92½xd	10.97	4.1	10Feb 10Aug	1246
1,450	Treas 9¾pc 2002	92	10.86	21.7	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	87	10.81	13.10	19May 19Nov	1272
1,600	Treas. 13¾pc 2000–03	124	11.36	19.12	25Jan 25Jul	1303
1,000	Treas 10pc 2003	94	10.72	2.8	8Mar 8Sep	1291
1,900	Treas. 11½pc 2001–04	102	11.16	14.8	19Sep 19Mar	1290
900	Treas. 10pc 2004	95	10.65	12.10	18Nov 18May	1282
443	Funding 3½pc '99–04	53	9.51	8.12	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	91	10.58	18.9	25Apr 25Oct	1246

Over Fifteen Years

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,881	Conversion 9½pc 2005	92	10.55	11.9	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	99	10.52	14.8	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003–05	112	10.76	16.10	21Mar 21Nov	1295
1,800	Treas. 8pc 2002–06	80	10.44	10.11	5Apr 5Oct	1334
3,150	Treas. 11¾pc 2003–07	106	10.77	18.12	22Jul 22Jan	1293
1,446	Treas 8½pc 2007	85	10.25	11.12	16Jan 16Jul	1339
1,250	Treas 13½pc '04–08	120	10.68	21.8	26Sep 26Mar	1301
–	Treas. 9pc 2008	90	10.21	6.9	13Apr 13Oct	1343
721	Treas. 9pc 2008 B	90	10.21			–
1,600	Treas 8pc 2009	81	10.17	21.8	25Mar 25Sep	1336
369	Conv 9pc Ln 2011	90xd	10.13	6.12	12Jan 12Jul	1245
1,000	Treas 5½pc 2008–12	60	9.93	4.8	10Mar 10Sep	1330
700	Treas 7¾pc 2012–15	78xd	10.07	20.12	26Jul 26Jan	1332
1,000	Exch. 12pc '13–17	116¾	10.14	6.11	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	39xd	–	27.12	1Feb 1Aug	1239
1,909	War Loan 3½pc	34¼	–	25.10	1Jun 1Dec	1352
140	Conv. 3½pc '61 Aft	60	–	25.8	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	31	–	1.9	5Apr 5Oct	1324
276	Consols 2½pc	24½	–	1.12	5Ja Ap Jul O	1238
475	Treas. 2½pc	24¼	–	25.8	1Apr 1Oct	1315

Index–Linked

Amount £m	Stock	Price £	Red. Yld. (b)	Last xd	Interest Due	City-line
650	Tr 2pc '92 (97.8)	111	4.77	17.8	23Mar 23Sep	1312
400	Do 2 '94 (102.9)	104	3.72	10.10	16Nov 16May	–
1,000	Do 2pc '96 (67.9)	154	3.55	10.8	16Mar 16Sep	1313
900	Do 2½pc '01 (78.3)	129	3.85	18.8	24Mar 24Sep	1316
800	Do 2½pc '03 (78.8)	125	3.89	16.10	20Nov 20May	1317
1,200	Do. 2pc '06 (69.5)	126	3.67	13.12	19Jan 19Jul	1314
550	Do. 2½pc '09 (78.8)	120	3.84	16.10	20Nov 20May	1318
1,350	Do 2½pc '11 (74.6)	125	3.82	17.1	23Feb 23Aug	1319
1,100	Do 2½pc '13 (89.2)	103	3.78	10.1	16Feb 16Aug	1320
1,700	Do. 2½pc '16 (81.6)	112	3.73	20.12	26Jan 26Jul	1321
1,400	Do. 2½pc '20 (83.0)	109	3.68	11.9	16Oct 16Apr	1322
900	Do. 2½pc '24 (97.7)	92½	3.62	11.12	17Jan 17Jul	1323

Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

LONDON SHARE SERVICE

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AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
640.4	Hasbro Inc 50c	12⅛	16c	0.8	1.8	Ja No Au My	–
2,273.4	Honeywell $1½	31⅞	$2.75	3.2	22.8	Mar Jun S D	2419
2,506.2	Houston Inds	21	$2.96	8.5	10.11	Mr Je Se De	–
[illegible]	IBM Corpn $1¼	60⅝	$4.84	4.8	5.5	Mar Jun S D	2986
0.95	[illegible]	45p	–	–	–	–	2961
1,609.3	Ingersoll-Rand $2	30½	$1.20	2.4	16.5	Mar Jun S D	2979
1,599.1	Lockheed Crpn $1	24⅞	$1.80	4.4	15.2	Mar Jun S D	–
148.5	Lone Star Inds $1	9⅞	$1.90	12.7	30.8	[illegible]	3216
787.3	Louisiana Land 15c	25⅛	$1.00	2.4	29.11	Mar Jun S D	3222
663.9	Lowe's 50c	16¼	52c	1.9	11.7	Jan Ap Jly Oc	–
996.4	Manuf. Hanover $1	20¼	$3.28	9.5	26.6	Jan Ap Jly Oc	3279
1,593.5	Merrill Lynch $1	15	$1.00	4.0	31.10	Feb My Au N	3351
561.4	Molex Inc	22⅛	3.2c	–	–	–	3397
4,141.0	Morgan (JP) $2½	22⅞	$1.60	4.8	21.12	Jan Ap Jly O	3418
[illegible]	Morris (Philip)	23⅞	$1.13	2.9	12.12	–	5161
[illegible]	NYNEX $1	50½	$4.36	5.2	27.6	F May Au N	4740
2.57	Nationwide Legal Serv	19p	–	–	–	–	5121
351.9	PHH Corp	21	$1.16	3.3	4.4	Ja Ap Jn Oct	–
–	♦Pacific Agr.	187p	–	–	–	–	–
1,661.1	Pacificorp $3¼	26¼	$2.76	5.9	18.7	Feb My Ag Nv	–
[illegible]	Pacific Telesis 10c	28¼	$1.88	3.9	12.85	Fe My Au No	–
753.9	Pall Corp 25c	20⅛	46c	1.4	24.1	Fe My Au No	–
2,102.5	Pennzoil 83 1/3c	51¼	$3.00	3.5	29.8	Mar Jun S D	3630
[illegible]	Quaker Oats $5	32⅞	$1.40	2.6	18.12	Jly Oc Jan Apr	3798
734.4	Rep NY Corpn $5	29⅞	$1.28	2.6	12.9	Jan Apr Jly O	3814

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

For Nth Sea Assets see Oil & Gas

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

WATER

For other Water Issues see London Recent Issues

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

1 88	Do Wrrnts ..... y	23	–	–	–	–	1116
21.2	Wilton Group 1p .y	4¾	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ *Not comparable*
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred C Canadian. E *Minimum tender price* F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88 L Estimated annualised dividend M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90 P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	86	......	Arnotts	410	......
Craig & Rose £1.. y	630	......	Carrol (P.J.)....... y	173	+1
Finlay Pkg 5p.... y	57	–1	Hall (R. & H.).......	190	+5
Holt (Jos) 25p .... y	1348	......	Heiton Hldgs...... y	100	......

IRISH

Cap 8½% Ln 1991.	£96¾	......	IRG	206xd	......
9pc Cap Ln. 1996..	£95⅞	......	United Drug.........	170	......
Fin. 13% 97/02...	£114½	......			

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	43
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	57
Polly Peck	38
Racal Elect	23
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl Beecham A	48
TI	38
TSB	9
Tesco	14
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1650 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND

Jan.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6365 - 1.6475	1.6465 - 1.6475	0.93-0.91cpm	6.70	2.66-2.63pm	6.42
Canada	1.9215 - 1.9450	1.9440 - 1.9450	0.49-0.40cpm	2.75	1.49-1.32pm	2.89
Netherlands	3.15½ - 3.17¼	3.15½ - 3.16½	1¾-1⅝cpm	6.41	4⅞-4⅝pm	5.85
Belgium	58.70 - 59.10	58.85 - 58.95	24-21cpm	4.58	69-63pm	4.48
Denmark	10.87¾ - 10.92¼	10.89 - 10.90	2⅞-2⅝orepm	3.03	8⅝-8¼pm	3.12
Ireland	1.0500 - 1.0700	1.0595 - 1.0605	0.35-0.30ppm	3.68	0.96-0.86pm	3.43
W. Germany	2.80¼ - 2.82	2.80½ - 2.81	1¾-1⅝pfpm	7.21	4⅝-4½pm	6.50
Portugal	246.50 - 248.30	246.50 - 247.50	5-40cdis	-1.09	94-178dis	-2.20
Spain	181.95 - 182.85	181.95 - 182.25	7-1cpm	0.26	18-5pm	0.25
Italy	2085½ - 2100	2088¼ - 2089¼	5-4lirepm	0.03	13-11pm	0.02
Norway	10.81 - 10.84¼	10.83¼ - 10.84¼	3⅜-3¼orepm	3.74	9⅝-9¼pm	3.46
France	9.53 - 9.59	9.53 - 9.54	3⅝-3⅜cpm	4.40	9⅞-9⅝pm	4.09
Sweden	10.20½ - 10.25	10.22¼ - 10.23¼	2⅞-2¼orepm	2.93	6⅝-6¼pm	2.49
Japan	239 - 240½	239¼ - 240¼	1¾-1⅝ypm	8.45	4¾-4⅝pm	7.82
Austria	19.80 - 19.89	19.80 - 19.83	12¼-11¼gropm	7.12	34¼-30¾pm	6.56
Switzerland	2.48¼ - 2.54¼	2.48¼ - 2.49¼	1¼-1⅛cpm	5.72	3½-3⅜pm	5.52
ECU	1.3800 - 1.3840	1.3800 - 1.3810	0.48-0.45cpm	4.04	1.29-1.24pm	3.67

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.85-58.95 Six-month forward dollar 5.16-5.11cpm 12 months 9.28-9.18cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6365 - 1.6475	1.6465 - 1.6475	0.93-0.91cpm	6.70	2.66-2.63pm	6.42
Ireland†	1.5425 - 1.5535	1.5520 - 1.5530	0.50-0.45cpm	3.69	1.38-1.28pm	3.45
Canada	1.1705 - 1.1825	1.1790 - 1.1800	0.37-0.41cdis	-3.97	1.02-1.10dis	-3.59
Netherlands	1.9185 - 1.9360	1.9185 - 1.9195	0.08-0.10cdis	-0.56	0.27-0.32dis	-0.61
Belgium	35.65 - 35.95	35.70 - 35.80	5.00-7.00cdis	-2.01	16.50-20.50dis	-2.06
Denmark	6.59¾ - 6.65	6.61¼ - 6.61¾	1.95-2.15oredis	-3.71	5.40-5.90dis	-3.41
W. Germany	1.7040 - 1.7190	1.7040 - 1.7050	0.05-0.03pfpm	0.28	0.04-0.01pm	0.06
Portugal	150.25 - 150.70	150.25 - 150.35	95-115cdis	-8.37	315-365dis	-9.04
Spain	110.60 - 111.40	110.75 - 110.85	56-66cdis	-6.62	180-190dis	-6.69
Italy	1268 - 1278¼	1268 - 1268½	3.70-4.50liredis	-3.86	12.00-13.50dis	-4.00
Norway	6.57½ - 6.60	6.57¾ - 6.58¼	1.60-1.85oredis	-3.14	5.10-5.50dis	-3.21
France	5.78¼ - 5.83¾	5.78¼ - 5.79¼	1.10-1.30cdis	-2.37	3.55-3.70dis	-2.49
Sweden	6.19¾ - 6.22½	6.20¾ - 6.21¼	1.82-1.97oredis	-3.66	6.40-6.75dis	-4.23
Japan	145.55 - 146.45	145.55 - 145.65	0.22-0.20ypm	1.73	0.50-0.47pm	1.33
Austria	12.05½ - 12.09¼	12.08¼ - 12.09¼	0.80-0.10gropm	0.45	0.50dis-1.40pm	0.15
Switzerland	1.5135 - 1.5270	1.5135 - 1.5145	0.15-0.18cdis	-1.30	0.42-0.47dis	-1.17
ECU	1.1850 - 1.1955	1.1910 - 1.1920	0.28-0.26cpm	2.72	0.85-0.82pm	2.80

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.70-35.80.

EXCHANGE CROSS RATES

Jan 19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.647	2.808	239.8	9.535	2.493	3.160	2089	1.945	58.90
$	0.607	1	1.705	145.6	5.789	1.514	1.919	1268	1.181	35.76
DM	0.356	0.587	1	85.40	3.396	0.888	1.125	743.9	0.693	20.98
YEN	4.170	6.868	11.71	1000.	39.76	10.40	13.18	8711	8.111	245.6
F Fr.	1.049	1.727	2.945	251.5	10.	2.615	3.314	2191	2.040	61.77
S Fr.	0.401	0.661	1.126	96.19	3.825	1	1.268	837.9	0.780	23.63

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Of politics and interest rates

POLITICAL EVENTS and interest rates are attracting attention right now. The sound of gun fire leads to a rush to buy dollars as a safe haven, and the mere uncertainty about events in the Soviet Union is enough to support the US currency at the expense of the D-Mark.

UK clearing bank base lending rate 15 per cent from October 5

The threat of higher interest rates remains in Europe and Japan, and at the same time the prospects of lower US rates may have diminished after two Federal Reserve Board officials indicated their opposition to such a move.

Fear of rising world inflation is of concern to several major central banks around the world. Strong West German economic growth and the threat of inflationary wage settlements could prompt higher interest rates from the Bundesbank, while the president of the Swiss National Bank has said that the Swiss franc is at a critical low and rates will remain high.

It may be only a matter of time before the Bank of Japan increases its discount rate again. The yen has been very weak lately, but next month's elections to the Japanese lower house make a rate rise unlikely until March.

Encouraging French trade figures last week contributed to an easing of pressure on the French franc and a decline in Paris interest rates. On the other hand, if German rates rise it is hard to see how France could avoid a similar move.

Last week's batch of UK economic news was mixed, allowing the UK authorities to temporarily weather the interest rate storm, but the biggest hurdle is yet to come with Friday's trade figures.

£ IN NEW YORK

Jan.19	Close	Previous Close
£ Spot	1.6450-1.6460	1.6435-1.6445
1 month	0.93-0.92pm	0.94-0.93pm
3 months	2.66-2.63pm	2.70-2.67pm
12 months	9.30-9.20pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.19	Previous
8.30 am	88.1	87.7
9.00 am	88.2	87.9
10.00 am	88.3	87.8
11.00 am	88.2	87.8
Noon	88.2	87.8
1.00 pm	88.1	87.8
2.00 pm	87.9	87.8
3.00 pm	88.0	88.0
4.00 pm	88.1	88.1

CURRENCY RATES

Jan.19	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25115	1.38112
U.S Dollar	7	1.31447	1.18708
Canadian $	12.46	1.53938	1.39600
Austrian Sch.	6½	15.7421	14.3446
Belgian Franc	10¼	46.7886	42.6339
Danish Krone	10½	8.65447	7.88516
Deutsche Mark	6.00	2.23512	2.03774
Neth.Guilder	7.00	2.51964	2.29593
French Franc	10¼	7.59764	6.92541
Italian Lira	13½	1664.25	1516.49
Japanese Yen	4¼	191.387	173.432
Norway Krone	8	8.61109	7.82759
Spanish Peseta	-	144.213	132.015
Swedish Krona	9½	8.12342	7.38600
Swiss Franc	6.00	1.98879	1.80911
Greek Drach.	20½	N/A	189.826
Irish Punt	-	N/A	0.767838

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Jan.18

CURRENCY MOVEMENTS

Jan.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.1	+23.2
U.S Dollar	67.8	+10.6
Canadian Dollar	103.2	+1.1
Austrian Schilling	109.3	+12.0
Belgian Franc	109.7	-3.5
Danish Krone	108.8	+3.3
Deutsche Mark	118.5	+24.9
Swiss Franc	108.7	+16.8
Guilder	114.6	+16.5
French Franc	103.3	-12.7
Lira	99.9	-19.1
Yen	129.1	+58.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Jan.18.

OTHER CURRENCIES

Jan.19	£	$
Argentina	2916.85 - 3000.30	1775.00 - 1825.00
Australia	2.0740 - 2.0760	1.2610 - 1.2620
Brazil	22.8845 - 23.0515	13.9260 - 13.9995
Finland	6.5900 - 6.6275	4.0150 - 4.0200
Greece	260.05 - 264.55	158.45 - 161.00
Hong Kong	12.8365 - 12.8490	7.8080 - 7.8100
Iran	115.40*	69.30*
Korea(Sth)	1116.65 - 1134.65	681.80 - 687.20
Kuwait	0.47730 - 0.47870	0.29100 - 0.29180
Luxembourg	58.85 - 58.95	35.70 - 35.80
Malaysia	4.4430 - 4.4540	2.7040 - 2.7060
Mexico	4421.00 - 4440.15	2690.00 - 2700.00
N. Zealand	2.6860 - 2.6920	1.6340 - 1.6360
Saudi Ar.	6.1505 - 6.1545	3.7500 - 3.7510
Singapore	3.0750 - 3.0850	1.8720 - 1.8770
S. Af (Cm)	4.2155 - 4.2265	2.5700 - 2.5715
S. Af (Fn)	5.5345 - 5.6290	3.3670 - 3.4245
Taiwan	42.55 - 42.65	25.90 - 25.95
U.A.E.	6.0230 - 6.0265	3.6720 - 3.6730

*Selling rate

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6470	1.6378	1.6206	1.5957	1.5547

IMM-STERLING $s per £

	Close	High	Low	Prev.
Mar	1.6296	1.6326	1.6200	1.6270
Jun	1.6036	1.6064	1.5940	1.6010
Sep	1.5810	1.5830	1.5720	1.5784

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.19) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

(4pm Jan. 19)

Prime rate	10	One month	7.28	Three year	8.21
Broker loan rate	9¼	Two month	8.09	Four year	8.20
Fed.funds	8⅝	Three month	7.99	Five year	8.18
Fed.funds at intervention	8⅝	Six month	8.01	Seven year	8.22
		One year	8.01	10-year	8.25
		Two year	8.17	30-year	8.38

Jan.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.70-7.80	8.00-8.15	7.95-8.10	8.05-8.25	8.30-8.45	8.00
Paris	10¼-10½	10⅝-10¾	-	11-11⅛	-	9.50
Zurich	8¾-9¼	9⅞-9⅝	-	9⅞-9⅝	-	-
Amsterdam	8.75-8.87	8.80-8.87	-	8.88-8.98	-	-
Tokyo	6¼-6½	6¾-6⅞	-	6⅞-7	-	-
Milan	12¼-12¾	12⅞-13⅛	-	12⅞-13⅛	-	-
Brussels	9.40	10⅛-10⅜	-	10⅜-10⅝	-	-
Dublin	11⅞-11⅞	11⅞-12	11⅞-12	11⅞-12⅛	11⅞-12	-

LONDON MONEY RATES

Jan 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	15⅛	15¼	15⅜	15⅜	15⅜
Interbank Bid	13	14⅞	15⅛	15¼	15¼	15¼
Sterling CDs	-	-	15⅛	15¼	15¼	15
Local Authority Deps.	14⅞	15	15⅛	15¼	15¼	15¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¾	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15¼	15⅜	15⅜	15⅜
Finance House Deposits	-	-	15⅛	15¼	15¼	15¼
Treasury Bills (Buy)	-	-	14⅝	14⅝	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs	-	-	8.28	8.30	8.40	8.52
SDR Linked Dep. Offer	-	-	8⅞	9¼	9⅜	9⅝
SDR Linked Dep. Bid	-	-	8⅞	9	9⅛	9⅜
ECU Linked Dep. Offer	-	-	11	11⅜	11½	11½
ECU Linked Dep. Bid	-	-	10⅞	11⅛	11¼	11¼

Treasury Bills (sell); one-month 14 11/32 per cent; three months 14 15/32 per cent; Bank Bills (sell): one-month 14 31/32 per cent; three months 14 15/16 per cent; Treasury Bills; Average tender rate of discount 14.5684 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December,29 ,1989 . Agreed rates for period January.24 1990 to February,25 , 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.38 p.c. Reference rate for period Dec.1,1989 to December,29 , 1989, Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JANUARY 19 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY JANUARY 18 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	154.66	+2.2	139.22	129.77	+1.8	5.25	155.03	139.72	129.87	160.41	128.28	150.68
Austria (19)	207.79	+14.0	187.04	185.50	+16.0	1.31	208.59	188.00	184.87	219.85	92.84	95.07
Belgium (61)	153.86	-0.5	138.50	135.65	-0.1	4.12	154.08	138.87	135.84	160.02	125.58	133.37
Canada (120)	146.35	-3.8	131.74	125.00	-2.1	3.20	147.02	132.51	124.72	154.17	124.67	133.42
Denmark (36)	244.37	+0.9	219.98	219.86	+1.4	1.44	245.44	221.21	220.40	250.34	165.35	158.10
Finland (26)	141.18	+5.9	127.09	119.04	+5.3	2.62	140.88	126.79	118.39	159.16	118.83	132.54
France (125)	150.60	-3.5	135.57	136.78	-3.4	2.75	150.75	135.87	137.27	157.97	112.57	116.43
West Germany (96)	122.83	-0.7	110.56	108.84	+0.0	1.93	122.54	110.44	108.81	130.32	79.56	85.38
Hong Kong (48)	114.41	-2.3	102.98	114.70	-2.3	4.97	113.86	102.62	114.16	140.33	86.41	120.28
Ireland (17)	196.02	+8.0	176.46	177.91	+8.0	2.44	192.62	173.60	174.71	196.69	125.00	131.80
Italy (96)	99.10	+0.7	89.21	93.87	+0.7	2.44	98.67	88.93	93.75	102.11	74.97	85.43
Japan (455)	181.23	-8.2	163.14	166.79	-7.0	0.49	181.02	163.15	167.12	200.11	164.22	191.84
Malaysia (36)	229.59	+0.2	206.67	239.18	+0.5	2.24	229.48	206.82	238.93	238.21	143.35	150.04
Mexico (13)	334.08	+2.6	300.73	984.40	+2.8	0.53	330.18	297.58	972.91	337.02	153.32	161.12
Netherland (43)	136.65	-5.0	123.01	119.69	-4.6	4.50	134.98	121.66	118.57	145.66	110.63	114.04
New Zealand (18)	73.76	+2.3	66.40	64.04	-0.6	5.50	74.08	66.77	64.06	88.18	62.64	71.13
Norway (24)	212.20	+6.2	191.01	189.52	+5.9	1.44	210.67	189.87	187.50	219.26	139.92	158.79
Singapore (26)	185.80	+4.8	167.25	160.50	+3.4	1.81	185.63	167.31	161.60	189.94	124.57	133.11
South Africa (60)	217.93	+10.9	196.18	161.75	+6.4	3.51	223.09	201.06	165.86	229.41	115.35	126.17
Spain (43)	154.34	-5.4	138.93	129.55	-4.2	4.09	155.27	139.94	129.74	169.75	143.14	149.68
Sweden (35)	193.93	+1.0	174.57	178.28	+1.3	1.92	198.14	178.58	181.57	206.95	138.45	146.12
Switzerland (62)	95.31	+1.3	85.79	88.46	-0.5	2.00	94.00	84.72	88.49	99.12	67.81	76.75
United Kingdom (306)	156.97	-1.1	141.30	141.30	-3.2	4.47	156.83	141.34	141.34	164.31	133.28	141.27
USA (542)	137.34	-4.0	123.63	137.34	-4.0	3.41	136.89	123.37	136.89	146.29	112.13	116.55
Europe (989)	140.57	-1.3	126.54	125.84	-1.9	3.39	140.32	126.46	125.79	146.66	112.63	116.52
Nordic (121)	190.55	+1.7	171.53	166.12	+2.0	1.72	192.57	173.55	167.43	198.12	137.95	143.01
Pacific Basin (667)	177.80	-7.7	160.05	163.40	-6.6	0.75	177.61	160.07	163.69	194.72	160.44	187.18
Euro-Pacific (1656)	163.11	-5.5	146.82	148.47	-5.0	1.67	162.89	146.81	148.62	174.18	141.56	158.90
North America (662)	137.78	-4.0	124.03	136.57	-3.9	3.40	137.40	123.83	136.13	146.66	112.79	117.46
Europe Ex. UK (683)	129.26	-1.4	116.36	116.29	-1.1	2.67	128.96	116.22	116.19	134.66	96.30	101.02
Pacific Ex. Japan (212)	136.35	+1.0	122.74	120.64	+0.6	4.79	136.37	122.90	120.60	140.05	111.93	131.36
World Ex. US (1849)	163.15	-5.3	146.86	148.07	-4.8	1.74	163.02	146.92	148.25	173.77	141.49	157.69
World Ex. UK (2085)	152.52	-5.3	137.29	144.72	-4.7	2.04	152.26	137.23	144.69	162.00	136.98	141.93
World Ex. So. Af. (2331)	152.50	-5.0	137.28	144.25	-4.6	2.26	152.22	137.19	144.18	161.84	136.67	141.95
World Ex. Japan (1936)	139.81	-2.6	125.85	132.92	-2.8	3.45	139.54	125.76	132.70	145.52	114.51	117.83
The World Index (2391)	152.90	-4.9	137.63	144.36	-4.6	2.27	152.65	137.58	144.33	162.05	136.68	141.86

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGES: Name change: Guinness Malaysia to Guinness Anchor (Malaysia)(18/1/90).

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	Northern Bank Ltd	15
Adam & Company	15	Coutts & Co	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortage Bank	15½
Allied Irish Bank	15	Dunbar Bank PLC	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Duncan Lawrie	15	Provincial Bank PLC	16
Associates Cap Corp	14	Equatorial Bank plc	15	R. Raphael & Sons	15
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc.	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	McDonnell Douglas Bnk	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm.Bk.N.East	15	Nat Bk. of Kuwait	15		
		NatWestminster	15		

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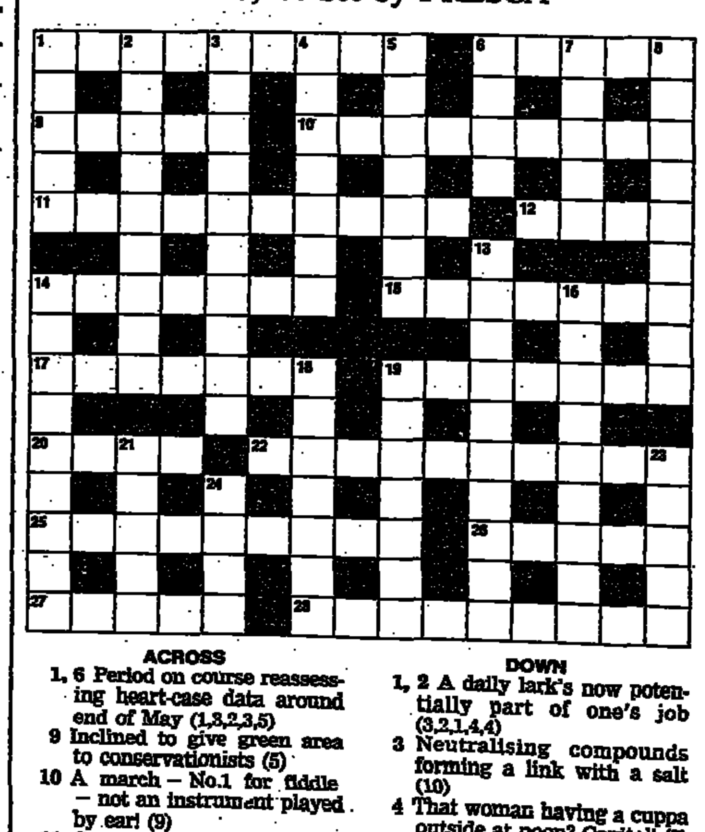
JOTTER PAD

CROSSWORD

No.7,144 Set by FRESCA



ACROSS

1, 6 Period on course reassessing heart-case data around end of May (1,8,2,3,5)
9 Inclined to give green area to conservationists (5)
10 A march – No.1 for fiddle – not an instrument played by ear! (9)
11 Common hooter – not an instrument played by nose! (5,5)
12 Sweet and sour? (4)
14 See next page on general poison (7)
15 United Kingdom's turn to attend to one middle easterner (7)
17 Bovine leader rabbiting on (7)
19 View "Dynasty" apparently (7)
20 Spots distinguished flyer crossing pole (4)
22 Garment and continental articles used by redhead in burlesque (10)
25 Bear managed to play on time (9)
26 World supporter – bare-'eaded, as one might say (5)
27 Hazards a hasty kiss, meeting with resistance (5)
28 Original shrewd English character (9)

DOWN

1, 2 A daily lark's now potentially part of one's job (3,2,1,4,4)
3 Neutralising compounds forming a link with a salt (10)
4 That woman having a cuppa outside at noon? Capital! (7)
5 Brand of musical ability displayed by a note? (7)
6 Measure offensive to listener (4)
7 Kind of porcelain fashionable when taking tea out (5)
8 Sensational opening to Elgar's second – in G (9)
13 Chancy redistribution of money? (10)
14 Party – same group that holds the purse-strings (9)
16 At home, a match grips one – to start with! (9)
18 Gold pieces lying around on a supermarket stand (7)
19 Self-contained record with an involuntary movement one doubts (7)
21 Draws on inter-polar sound receiver (5)
23 Discrimination – though not a lot (5)
24 Goddess one's double? (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 3.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2677.90	2666.38	2659.13	2692.62	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.05	92.08	92.34	92.49	94.15 (2/3/89)	87.35 (23/3/89)	—	—
Transport	1153.98	1142.43	1146.87	1156.47	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.77	222.15	221.39	221.52	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2696.89 (2678.11) Low 2657.85 (2625.85)

STANDARD AND POOR'S	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	339.15	338.19	337.4	340.75	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	389.97	388.82	387.99	391.83	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.51	29.58	29.59	29.88	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.56	187.07	186.86	188.37	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	366.08	366.17	368.06	368.41	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	440.88	437.52	438.68	440.16	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 12	Jan 5	Dec 29	year ago (approx.)
Dow Industrial Div. Yield	3.96	3.84	3.87	3.60

	Jan 17	Jan 10	Jan 3	year ago (approx.)
S & P Industrial div. yield	3.03	2.94	2.86	3.21
S & P Indl. P/E ratio	14.39	14.80	15.19	13.23

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Bank of N. Eng.	6,844,300	2⅞	−1½
Citicorp	3,791,600	26	−½
Am T & T	2,961,100	42⅛	−¼
Rorer Gp	2,943,900	63⅞	+1
Digital Equip	2,372,000	77⅛	−4⅛
Nat. Intergroup	1,957,200	16½	+1⅝
Gen Electric	1,924,700	64⅞	+1⅛
Philip Morris	1,903,100	39⅛	−¼
Exxon	1,876,600	48⅝	+⅝
Aristech Chem	1,691,700	25⅞	+⅝

TRADING ACTIVITY

† Volume Millions	Jan 19	Jan 18	Jan 17
New York	185.590	178.590	170.470
Amex	11.220	10.6685	11.788
NASDAQ	(u)	136.325	139.152
Issues Traded	1,949	1,967	1,964
Rises	816	587	633
Falls	651	879	867
Unchanged	482	501	464
New Highs	18	14	14
New Lows	57	81	45

CANADA

TORONTO	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3115.73	3143.11	3137.04	3220.74	3919.2 (1/9/89)	3137.0 (17/1/89)
Composite	3865.07	3857.39	3872.27	3899.93	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1966.30	1958.21	1959.90	1974.08	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all Indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1673.9	1677.5	1682.8	1675.4	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	842.2	848.9	857.0	852.6	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	555.97	555.47	560.35	551.02	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6449.04	6456.85	6490.45	6489.81	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	369.38	374.24	374.09	369.19	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	640.0	632.5	625.5	627.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	535.1	535.5	533.5	534.9	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1924.27	1934.72	1953.14	1935.21	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	743.78	744.13	757.82	755.56	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2188.6	2186.8	2232.3	2227.5	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1773.56	1779.17	1802.48	1788.68	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2776.29	2771.67	2754.84	2751.79	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1881.16	1855.89	1859.02	1839.22	1881.16 (19/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	697.38	696.37	695.88	695.66	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	36836.54	36729.46	36821.14	36850.36	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2701.31	2705.41	2719.48	2723.88	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4065.23	4078.19	4081.93	4000.92	4081.93 (17/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	574.72	574.09	574.32	567.34	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tu.Rtn.Gen.(End 1983)	252.7	250.2	252.3	250.6	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.8	191.9	193.5	192.2	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	743.72	737.39	735.85	726.80	751.87 (11/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1080.35	1059.25	1057.76	1056.12	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	421.89	422.78	422.57	418.24	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2080.0&	2161.0	2184.0	2230.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2945.0&	2989.0	2996.0	3017.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	886.2	874.81	874.41	883.43	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	286.13	286.49	288.03	287.29	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P (31/12/56)	4380.4	4464.4	4494.3	4416.4	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	763.4	759.6	(u)	763.3	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11422.51	11153.05	10835.67	10904.90	11422.51 (19/1/90)	4373.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	868.67	862.97	864.96	877.68	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	539.7	543.6	544.9	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 13: Taiwan Weighted Price: 10559.20 Korea Comp Ex. 893.47

& Subject to official recalculation.

Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX − 1,000, JSE Gold − 255.7, JSE Industrials − 264.3 and Australia All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday January 19 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.9m	709	+8
Sumitomo Metal	10.1m	770	+4
Toshiba	9.2m	1,160	0
Dowa Mining	8.5m	1,520	−10
Nihon Nosan	6.0m	1,020	+60
Mitsui & Co.	6.4m	1,200	0
MHI	6.3m	1,080	+10
Marubeni	6.2m	1,010	0
Daiwa Lease	6.2m	1,650	0
C.Itoh	5.4m	1,100	+10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices January 19

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.5	20	590	32¾	31⅞	32⅝	+1⅛
9⅝	8½	ACM n	1.01	11.		567	u9¾	9½	9½	– ⅛
11⅝	10½	ACMIn	1.26	11.		565	11¼	11⅛	11⅛	– ⅛
9⅞	8	ACM M n	1.01	11.		277	9⅛	8⅞	9	+ ⅛
		ACMMM				1304	12⅛	12	12	
11½	10	ACM Sc	1.26	11.		1494	11½	11⅜	11⅜	
9⅜	8⅝	ACMSp	1.01	11.		1463	9⅝	9¼	9⅜	
19⅞	11½	AL Lab	.16	.9	19	145	18¼	17¾	18¼	+ ½
4⅛	3⅛	AMCA	.12e	3.4	9	37	3½	3⅜	3½	
6⅞	3⅞	AM Intl			6	1077	4	3⅞	3⅞	
23½	15⅝	AM In pf	2	11.		17	18⅝	18½	18½	+ ⅛
107¾	52⅝	AMR			8	6821	59⅞	55	58¾	
6	3⅛	ARX				154	3½	3⅛	3⅜	
63	38¼	ASA	3a	5.0		1997	61⅛	59¾	60	–1⅛
70⅝	46¼	AbtLab	1.40	2.1	18	2755	68⅛	67⅛	68	+ ¾
19¼	11⅛	Abitibi g	.50			5	11¾	11¾	11¾	
13	9⅛	AcmeC	.40	3.8	14	78	10⅝	10⅜	10⅝	+ ⅛
9¾	6	AcmeE	.32	3.5	12	11	9⅛	9	9⅛	+ ⅛
38½	22	Acuson			21	268	31¼	30¾	31⅛	+ ⅝
16½	12⅞	AdaEx	2.06e	14.		263	15½	15¼	15¼	– ¼
15⅞	6¾	Adobs				353	12⅞	12½	12¾	+ ¼
20⅛	16½	Adob pf	1.84	9.6		87	19½	19⅛	19¼	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		163	21¼	20⅞	21¼	+ ½
10⅛	7⅛	AMD			17	1613	7⅜	7½	7⅝	
35	28½	AMD pf	3	10.		8	29⅝	29⅝	29⅝	

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅞	16¼	Repsol n.27e	1.2			499	22	21¾	21⅞	
5¼	4½	RepGyp	.20	3.9	24	37	5¼	5	5⅛	
52⅞	42¾	RepNY	1.32	2.7	1208	226	49	48⅞	48⅞	+ ⅛
16⅛	2⅛	Rexene			2	210	3	2⅞	3	+ ⅛
33⅞	20¼	RayRay	.80	3.8	8	43	21	20⅞	20⅞	
62¼	49	ReyMtl	1.80	3.5	6	3611	52	51½	51¾	– ⅛
48½	35	RhP pfC				11	39	38	38	–1⅛
19	17⅝	RhP pfA				107	18½	17¾	18½	+ ⅛
3½	1⅞	RhnP wt				687	3⅛	2⅞	3	– ⅛
22	18⅞	RhnPl n				272	21¼	20	20¼	–1¼
41⅛	29½	RiteAid	.90	2.8	13	1695	32¼	31⅝	31⅝	+ ⅛
7-16	⅛	RvrOak				11	3-16	5-32	3-16	+1-32
12⅞	8⅞	Robtsn				180	11	10⅝	10¾	– ⅛
22⅛	17	RochG	1.66	7.8	12	605	20⅞	20⅛	20⅞	+ ⅛
45⅞	26⅝	RochTl	s1.46	4.1	16	408	36	34¾	35½	+ ⅛
22⅛	18½	RckCtr	1.88	9.0	19	141	21⅞	20⅞	20⅞	– ⅛
27⅛	19⅝	Rockwl	.76	3.3	8	3479	23⅞	23⅛	23⅞	+ ½
7⅝	4⅞	RodRen				30	5⅞	5⅞	5⅞	
37½	31	RoHaas	1.20	3.7	11	618	34⅞	32¾	32¾	–1⅞
37⅞	18⅞	Rohr			25	515	20¼	19⅞	20¼	+ ⅛
14⅛	9⅝	RollinE	.08	.6		1791	13⅞	13¼	13⅛	– ⅛
21	16⅞	Rollins	.54	3.0	19	78	18¼	18⅛	18¼	
84	35½	Rorer	.84	1.3	30	29439	u84⅞	83⅞	83⅞	+1
12	5⅝	Rowan				1981	11	10¾	10⅞	– ⅛
25⅞	23¼	RBSct pr.77e	2.9			256	25⅛	24⅞	24⅞	– ⅛
78¼	57⅞	RoylD 3.36e	4.6	7		6786	73⅞	72⅞	72⅞	
16	8½	Roylnl	.20e	2.0	12	72	10¼	10	10⅛	+ ⅛
10	6⅛	Royce	.52e	5.8		163	9⅛	8⅞	9	
37⅞	25¼	Rubmd	.52	1.5	24	780	35⅞	35	35	– ⅝
21⅛	14⅛	RussBr	.40	2.7	18	1	14⅞	14⅞	14⅞	
15	10⅛	RussTg	.20	1.9	208	61	10½	10¼	10⅝	+ ⅛
28½	18⅞	Russell	.28	1.1	16	322	24⅝	24⅜	24⅝	

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– X – Y – Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	54⅛	Xerox	3	5.3	15	3103	56½	55⅞	56⅛	+ ⅞
49	44½	Xerox pf4.13		8.5		1	48½	48½	48½	+ ⅞
44¼	23½	XTRA	.72	2.8	21	19	26¼	25⅞	26	– ⅛
33	21⅞	XTRA pf1.94		8.7		2	22¼	22¼	22¼	
4¼	2⅛	Zapata				1751	2⅝	2½	2⅝	+ ⅛
12¾	7⅛	Zemex	.20	2.6		2	7⅞	7⅞	7⅞	
21½	11⅞	ZenithE				809	12¼	11⅞	11⅞	– ½
21½	16⅛	ZenNtl	.84	4.6	9	24	18¼	18	18¼	+ ⅛
10	6½	Zenix	1.08	16.		485	6⅝	d 6	6⅝	+ ½
18½	13⅞	Zero s	.40	2.4	16	558	16⅞	16½	16⅞	+ ⅝
44¼	25⅛	Zurnin	.76	2.0	18	565	39½	38	38⅛	–1¼
12⅝	10	Zweig	1.21e	10.		408	11⅞	11⅞	11⅞	
10	8⅛	ZweigTl	.96	9.7		1733	9⅞	9¼	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProCm s			75	5½	5½	5½	– ⅛
Prism		13	5	3⅛	3⅛	3⅛	
ProMed	.42	13	60	5⅛	5	5⅛	
ProtCre		13	3	5	5	5	
– R – R –							
RBW		11	25	5⅞	5⅜	5⅞	+ ⅛
ReCap		11	15	13½	13¼	13¼	– ⅛

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
HlthCh		11	34	2	1⅞	1⅞	– ⅛
Hltwst		4	518	6⅛	5⅞	5⅞	+ ⅛
Heico	.10	14	18	9½	9⅜	9½	+ ⅛
HeritEn			60	1⅞	1⅞	1⅞	+ ⅛
HershO		128	10	6⅞	6⅝	6⅞	
HollyCp	.40e	8	37	28⅛	28½	28½	– ½
HorseSh			891	8¼	8⅛	8¼	
HmHar			679	6	d 5⅞	5⅞	– ⅛
HovnEn		6	253	7⅞	6⅞	7⅛	+ ½
– I – I –							
ICH		11	1782	5⅛	5	5	– ⅛
ISS	.34	16	3	9⅝	9⅝	9⅝	
ImpOil g1.80			580	53½	52¼	52½	– ⅞
InstSy		13	522	2⅛	2	2⅛	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OMI		12	474	11	10⅝	11	+ ⅛
OdetA		35	1	5	5	5	
Olsten s	.24	12	178	15⅛	d14⅞	15	– ⅛
OOkiep 1.78e		3	58	12⅞	12⅛	12⅜	– ⅝
PallCp	.48	23	509	34⅛	33½	34⅛	+ ⅝
PegGld	.10e	34	1154	15	14½	14⅞	
PeopBc	.56	9	22	15½	15⅛	15⅛	– ⅛
PerinlC	.80	64	1	32⅞	32⅞	32⅞	+ ⅛
PhlHeal	1.83		64	14⅛	d13⅞	14	– ½
PhlLD	.15e	9	28	15⅞	15⅝	15⅝	+ ⅛
PionrSy			40	3-16	3-16	3-16	
Pitwy A	.70		78	34½	d33⅝	34½	+ ⅝
PlyGem	.12	10	56	10⅜	d10⅛	10⅛	– ⅛
Presd A	.10		11	8⅞	8⅝	8⅝	

NASDAQ NATIONAL MARKET

4pm prices January 19

[illegible]

– X – Y – Z –

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta s		7	50	9½	9	9½	+ ⅝
XOMA			1699	22¼	21⅛	22	– ⅛
Xicor		7	165	3⅞	3½	3⅞	– ⅛
YanEnS	.76a	13	25	20½	20	20½	+ ½
YelowF	.76	11	298	26	25¼	25¼	+ ⅛
YorkRs		21	899	11⅛	10	11	+1
ZionUt	1.44		10	27⅛	26⅞	27⅛	– ⅛

The Business Column

Hard work on joint ventures

There is a simple way to calculate the extra management effort it takes to run a joint venture: it takes roughly twice as much as a wholly-owned subsidiary. First you have to carry on managing your own business. Then you have to devote time to dealing with your partner in the venture and finally you have to deal with the venture itself as a separate company.

The calculus is Mr Richard Dulude's, group president of Corning, the US multinational glass manufacturer, which has a score of joint ventures. They range from a venture with Dow Chemicals which is about 40 years old, to a deal with IBM, the computer manufacturer, which was set up only a year and a half ago. They stretch from an undertaking with Siemens, the West German engineering group, to a venture with Samsung, the South Korean consumer electronics group.

Mr Dulude warns: "You can never afford to surprise your partner. You must treat him like a customer. That means you have to talk a lot. Things you might normally do as reflex or routine you have to explain and be prepared to change."

Non-equity ventures

There is little statistical evidence that joint ventures and other non-equity forms of collaboration between companies are growing at the expense of more traditional forms of internationalisation through direct investment. Yet recent deals involving, for example, British Aerospace and Thomson-CSF in missiles and Boeing and three Japanese heavy engineering groups in aircraft development, suggest that the ability to pursue these looser forms of internationalisation has become an essential part of a large company's repertoire.

Companies become interested in joint ventures for two reasons: to gain access to a market which would otherwise prove difficult to penetrate, or gain access to technological expertise which would be too costly and risky to develop alone.

Yet just bringing together a market and a product technology does not guarantee success, even when leading companies are involved, as the recent collapse of the Intel-Siemens joint venture shows.

Check list

Mr Dulude's check list for the management of successful joint ventures is as follows:

- If the first question raised in the negotiations is "who is going to control the venture?" tidy your papers, slide back your chair and head for the door – the venture will not work. Equally, if most of the negotiations focus on how the parties will be able to escape if the venture fails, claim pressing engagements and leave.
- The venture will have to be able to grow, unless it is a purely defensive move to protect a market against incursion from competitors. If the venture gets hemmed in, either geographically or technologically, there will be constant friction between the venture and its parents.
- The venture has to develop its own culture and identity as a business. Employees and customers must be encouraged not to treat it like an airport, something they want to pass through quickly and dread getting stuck in.
- The managers of the venture have to have access to senior executives in the parent companies. If not, strategic decisions may be delayed and the venture will be relegated to the margins.
- Beware of monolithic companies with strong centralised organisations which are used to doing everything for themselves. Joint venture partners have to want to share responsibility.
- As the number of ventures grows, so a company's sense of itself has to change. Corning sees itself as the centre of a dense web of links. Joint ventures are only one of these links. The others include wholly-owned subsidiaries, majority stakes, minority interests and marketing agreements.

Mr Dulude says: "We are neither a monolithic operating company, nor a holding company. We work more like a network. Companies will have to think much more in terms of networking rather than just controlling."

Charles Leadbeater

MONDAY INTERVIEW

Devoted member of the EC

Charles Haughey, Irish Prime Minister, talks to **Kieran Cooke**

By any political yardstick, Charles Haughey, Ireland's Taoiseach, or Prime Minister, has had a long and colourful career. In politics for nearly 40 years, Mr Haughey, 64, is now in his fourth prime ministerial incarnation.

He has fought his way through the political trenches, and been badly injured a few times but has continued running. He has held nearly every big ministerial portfolio. Now comes the role Mr Haughey appreciates most of all. Since January 1 Ireland has had the presidency of the European Community.

Mr Haughey has every intention of playing his full part on the European stage. The large countries usually make the European running, he says. But the continual changes in eastern Europe are shifting the balance. "The Community is now being catapulted into a very powerful political position in the world. No matter what country was president at this point, it would be called upon to play a very important role."

Mr Haughey does not believe that the EC has been wrong-footed by the pace and scale of change. "The Community has shown great resilience and maturity in its response. There might have been a temptation for the Community to retire into a smug, self-satisfied attitude and leave eastern Europe to look after itself . . . in fact it's done exactly the opposite."

At Mr Haughey's initiative, Ireland had convened a special meeting of EC foreign ministers to discuss eastern Europe. Community plans for a bank to help the eastern European economies were going ahead.

Mr Haughey has never gone out of his way to cultivate the media. Interviews are rare and take place within set guidelines. In a country which cherishes sociability and conversation, Mr Haughey is an oddity.

He keeps his personality remarkably well hidden. He is unpredictable. Part of the secret of his political longevity is his talent for being all things to all people. One day Mr Haughey is the concerned economist, reeling off lists of statistics on Ireland's improving economic health. Next the political bruiser, known for his use of colourful language. Then the grassroots party man holding his arms aloft as the massed ranks of Fianna Fail sing the party anthem "Arise and follow Charlie".

But he is now concentrating on his role as European statesman. He describes the new Europe as an economic and political superpower. He feels Ireland, though a small country, has an important role to play, particularly in regard to relations between the United States and the EC. "We can act as honest broker between the US and Europe. In Europe generally there is an understanding that Ireland has a very special traditional relationship with the US. The American relationship has always been a very real, fundamental thing in Irish life, emigration resulting in the fact that there are now 40m Americans of Irish descent in the US."

Mr Haughey feels the Bush administration has a more constructive approach to Europe than the previous administration. "Not so long ago there was talk of a trade war. That has completely changed." Mr Haughey says Ireland has turned from its historical links with the US to embrace Europe. "There's no doubt that the commitment is to the Community, to Europe. That's borne out time and again in the referenda that have taken place. I don't think there's any other country in Europe which has the same degree of popular support for membership of the Community as exists in Ireland."

PERSONAL FILE

1925 Born, Castlebar, Co Mayo. Educated, University College Dublin
1957 Elected to Dail (Irish Parliament)
1961 Appointed to Cabinet, holding portfolios of Justice, Agriculture and Finance
1970 Resigned from Cabinet
1977 Appointed Minister for Health and Social Welfare
1979 Elected leader of Fianna Fail Party and Taoiseach (Prime Minister)
1981-89 Led Fianna Fail into five general elections, being elected Taoiseach on three occasions

Mr Haughey puts great emphasis on personal relationships. He describes President Mitterrand of France as a personal friend; Mr Haughey is an ardent Francophile. "I've always been attracted to France. I spent my honeymoon there. I admire French culture, the way of life, their style. I regard the south of France as the epitome of the development of modern civilisation. I think they have whatever is necessary for a good life."

Mr Haughey's critics feel he is giving too much time to things European and not enough to problems closer to home. There has been a considerable improvement in Ireland's overall fiscal position over the past three years. Borrowing has been radically cut back, though the national debt, at more than I£25bn (£23.5bn), is still a serious impediment to development. Exports have grown substantially while inflation has been kept down.

But a programme of Government cutbacks has caused serious problems, particularly in the health service. Unemployment, at more than 17 per cent, is twice the EC average. More than 50,000 people, many of them young graduates, are leaving Ireland each year and though the country has the highest birth rate in Europe its population is declining.

Mr Haughey has been accused of presiding over an increasingly unequal society. Yet Mr Haughey, once looked on as the enemy of the Irish business community, has been transformed into a valiant friend. "I would suggest it is the business community that has changed and not Charles Haughey," he says.

'The commitment is to the Community, to Europe'

Mr Haughey was born in Castlebar, a small market town in the west of Ireland. Dublin, particularly the more working class northside of the city, has always been Mr Haughey's true home territory. He has represented a Dublin constituency since 1957. Mr Haughey married into politics. His wife is the daughter of the late Sean Lemass, Prime Minister in the 1960s. One of Mr Haughey's sons is the present mayor of Dublin.

He lives in considerable style on a 280-acre estate in the northern Dublin suburbs. He also owns an island off the coast of Co Kerry. The source of Mr Haughey's wealth remains an Irish mystery. His political trials and tribulations included, in 1970, being charged and acquitted of illegally importing firearms. Over the years Mr Haughey's style has changed. Gone is the combatative political toughie, in public at least. In has come a more studied, presidential type presence.

President Gorbachev, who made a stopover in Ireland last summer, rates high on the Haughey hero list. "I have great confidence and belief in him. Everybody must admire what he has done so far, the courage he has shown. It might be a little undignified to call him a tough street fighter. But that's an indication of the sort of individual I think he must be."

Relations between Dublin and London have never been easy. "It is of course a very special relationship, multi-faceted, to put it mildly. Throughout the length and breadth of Britain there are Irish people who have made their home there and found a satisfactory way of life for themselves. Economically we're still much closer to Britain than to any other EC member state . . . so that's one fact of life, it's realism and it's there. We have to accept that and make the best of it."

Mr Haughey does not want to discuss Northern Ireland. "I'll put it very simply this way. My ideal would be Irish unity as part of a greater European unity." All further discussion on the issue is "for another day." The conversation is quickly steered back into the European mainstream.

Since joining the EC in the early 1970s Ireland has been one of the largest net recipients of EC funds. It has recently been granted nearly I£3bn by Brussels to enable it to build up its infrastructure so as to compete in post 1992 Europe. Mr Haughey describes this as a crucial time for Ireland but has no doubt that the country will be ready for the single market. "We've a lot of advantages going for us. In a way our small population is an advantage . . . we don't have, as some other European member states have, large numbers of people in old traditional industries . . . our workforce is adaptable and well trained."

Others see serious problems ahead. Irish tax rates are still well above the EC average and painful financial adjustments will have to be made if they are to be harmonised with the rest of the Community. Many Irish industries have been cossetted by large amounts of state aid. Industries that are profitable are generally small in comparison to those in the rest of Europe and vulnerable to takeover.

The pessimists forecast that as Ireland approaches 1992 there could be more job losses with uncompetitive concerns forced to shut down or transfer operations closer to the main markets. Mr Haughey will not discuss economic specifics but says an amalgamation process has already begun, with Irish companies enlarging to compete in Europe.

At the same time Irish firms are evolving small niche type operations for high quality products. "Our peripherality within the EC is one of the major obstacles we have to overcome . . . we'll have to develop fast, cheap, efficient sea transport. We have a very real vested interest in the liberalisation of air transport, both passenger and freight. These will be something we will be giving priority to during our presidency."

Attempts to penetrate beneath Mr Haughey's Euroskin get nowhere. How would Mr Haughey like to be remembered when the time comes to finally hang up the political boots? "I'm not writing my memoirs, we're dealing with Europe. Soul searching is not part of my make-up."

Public perception of judges' conduct

JUSTINIAN

The community's confidence in the administration of justice cannot be based solely on the personal qualifications of the judges. But it can hardly be gainsaid that public confidence in Scottish justice has been badly dented by the revelation of alleged improper behaviour of a cluster of Court of Sessions judges, although the nature and extent of the alleged improprieties are insufficiently disclosed for any conclusive pronouncement on the affair.

The affair prompts the question: does the public think that judges are human, sharing the virtues and weaknesses of ordinary mortals? The fact that one can pose such an obvious question stems from the self-imposed isolation which the judiciary in the two British legal systems has hitherto enveloped itself.

To mention the human frailties of judges, except as an aside or as a joke, even in gatherings of lawyers, has always been considered bad taste. The taboo subject dominated the education and professional training of lawyers, at least until recent years. In consequence, it controlled what judges said to the non-legal world in publications and public addresses (judges were always willing to talk in purely professional circles). The legal profession spoke to the laity as if the human characteristics of judges were deliberately concealed under a wig and robe and had little or no consequences for the administration of justice. Those who broke that tradition were dubbed as subversive of the uprightness and independence of the judge.

So long as a judge kept silent, his reputation would remain unassailable

Until very recently this attitude was buttressed by rules laid down by the Lord Chancellor, Lord Kilmuir, in 1955. The Kilmuir rules were designed to keep the judiciary "insulated from the controversies of the day." The rules propounded the principle that so long as a judge kept silent, his reputation, wisdom and impartiality would remain unassailable.

By contrast, any utterance in public, other than in the course of performing judicial duties, would necessarily bring him within the focus of criticism. Judges who might wish to write articles in the press or appear on radio or television would be strictly out of bounds.

Much has changed with the recent abandonment of the Kilmuir rules by the present Lord Chancellor. But the separate and silent judiciary of the judges continues to feed the public perception of a remote and virtuous body singled out for judging from their fellow human beings, but always with an Olympian aloofness.

That perception has imposed on the judges a code of personal conduct that is not expected of other mortals. Hence the sad spectacle of a Scottish judge having to resign because apparently he behaved in a manner that precludes any deviation from the social norm of heterosexuality, even though sexual practices in private between consenting male adults has ceased to offend the criminal law since 1967.

If only society did not still regard homosexuality as morally unacceptable, there could be no risk of blackmail, which is said to be the reason why the judge was bound to resign. Blackmail can feed only on the victim's need to conceal something about himself which is more than a peccadillo.

What, then, should society demand of those who sit in judgment in the conduct of their private lives? Dr Johnson was not one of those who believed that the private life of a judge should be so decorous as to avoid all ordinary social contacts and patterns of existence. When Boswell asked Dr Johnson if he thought an English judge was bound to live like a gentleman, Dr Johnson replied: "Yes, sir – if he *can.*"

Dr Johnson went on to express a poor opinion of a "law lord" who took a fancy to associating with the wits of London, but with so little success that the actor and dramatist, Samuel Foote, asked: "What can he mean by coming among us? He's not only dull himself, but the cause of dullness in others." Dullness is bred by an unwillingness to communicate publicly.

Professional training, experience in the practice of the law and the social outlook of lawyers in Britain serves to sustain the public charges of remoteness and conservatism. Whatever the wider horizons of lawyers may have been when they were free from the constraints of judicial office, they become, on the bench, immured in the monastic life of the Temple and the aseptic atmosphere of the courtroom.

While the standards of judicial conduct on the bench must necessarily be strict, the standards on extrajudicial activities are not always warranted and may, if enforced, bring unfortunate results.

The standards on extrajudicial activities are not always warranted

A distinguished Scottish Law Lord, the late Lord Kilbrandon, once wrote that when a man – a lack of women on the bench may have something to do with the fostering of the present attitude – accepts judicial office, he does not cease to be a citizen. As a citizen, he must take his share of the burden of translating compassion into action, as do his non-judicial neighbours.

A judge with homosexual proclivities is as able of translating compassion into action as his heterosexual colleague. Whether any extrajudicial conduct is publicly unacceptable depends upon the wisdom of the individual judge and his sense of caution in a world that shines the fiercest spotlight on all its public figures.